1999 Annual Report



# The Evolution of Print Media

QUEBECOR WORLD

# Continuing a Tradition

The digital revolution is reshaping the printing industry. What was once a craft has been transformed into a broad array of communications services. Johannes Gutenberg invented a method of printing from movable type to communicate more effectively. Centuries later, printers are using digital tools to carry on the same tradition.

# Quebecor World

Quebecor World is the largest commercial printer in the world. The Company is a leader in most of its major product categories, which include magazines, retail inserts, books, catalogs, specialty printing and direct mail, directories, digital pre-media services, CD-ROM mastering and replicating and other value-added services. The Company has over 40,000 employees working in more than 160 printing and related facilities in the United States, Canada, France, the United Kingdom, Spain, Germany, Austria, Sweden, Finland, Chile, Argentina, Peru, Colombia, Mexico and India.

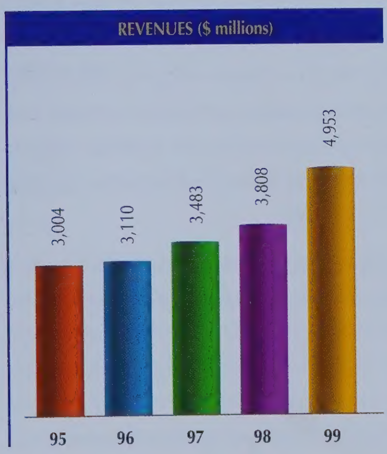
At the Annual Meeting of Quebecor Printing Inc. on April 25, 2000, shareholders will be asked to approve a change of legal name to Quebecor World Inc. Upon shareholder approval of the new name, the Company's shares will trade under the new symbol IQW on both the Toronto and New York Stock Exchanges.

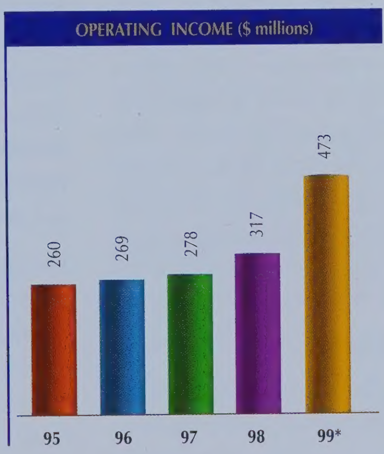
## Table of Contents

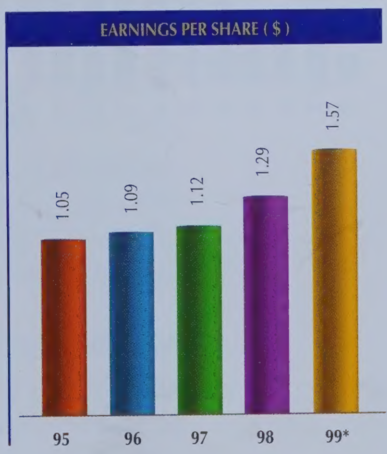
## Financial Highlights

| (In thousands of US dollars, except per share data) | 1999 | % growth | 1998 |
|---|---|---|---|
| **Operations** | | | |
| Revenues | **$ 4,952,537** | 30 | $ 3,808,155 |
| Operating income* | **473,245** | 49 | 317,499 |
| Restructuring and other charges | **180,000** | | – |
| Net income | **80,056** | | 159,560 |
| Cash provided from operating activities | **710,142** | 72 | 413,915 |
| Free cash flow from operations** | **530,802** | | 91,445 |
| **Investments** | | | |
| Business acquisitions | **$ 923,250** | | $ 260,208 |
| Additions to fixed assets | **194,708** | | 312,123 |
| **Financial position** | | | |
| Total assets | **$ 6,756,252** | 76 | $ 3,842,116 |
| Shareholders' equity | **2,320,884** | 48 | 1,564,504 |
| Debt-to-equity ratio | **55:45** | | 44:56 |
| **Per share data** | | | |
| Net income cash basis*** | **$ 1.81** | 27 | $ 1.43 |
| Net income | **$ 0.56** | | $ 1.29 |
| Dividends | **$ 0.28** | 17 | $ 0.24 |
| Book value | **$ 14.28** | 22 | $ 11.68 |

Note: All dollar figures are in U.S. dollars unless otherwise indicated.




* Before restructuring and other charges.

** Cash provided from operating activities less capital expenditures net of proceeds from disposals, and preferred share dividends.

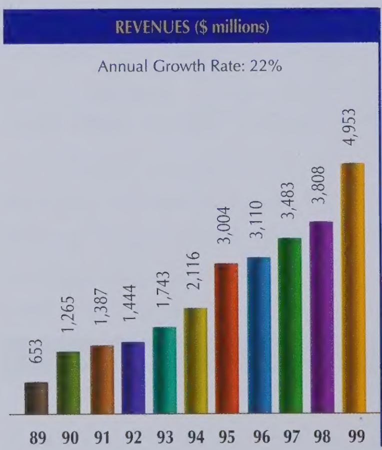
*** Net income before goodwill amortization, less preferred share dividends and before restructuring and other charges.

# Message to Shareholders

## 1999 was an exceptional year marked by record results and a merger that transformed your Company into the largest commercial printer in the world.

### Two Industry Leaders Merge

The secret of success, it has been said, is constancy of purpose. In 1999, we proved that maxim to be true, capping a decade of steady growth with a merger that transformed your Company into the largest commercial printer in the world.




By combining forces with World Color, a U.S. leader in the management and distribution of print and digital media information, we became larger, but most importantly, we became stronger. Within three months of the merger, the opportunities for synergies surpassed our expectations, doubling our initial target of $50 million to $100 million. As we moved to integrate our respective organizations, it became clear that Quebecor World, as the new company will be called, will provide better service to customers and returns to shareholders than either organization could ever achieve on its own.

### A Strategy for Success

For more than a decade, we have pursued growth through acquisitions and technological leadership. Since the late 1980s, we have made more than 60 acquisitions valued at $2.5 billion, expanding from our roots in Canada to become a major industry consolidator on three continents. This successful track record gave us the confidence and the experience to undertake the largest transaction in the history of the printing industry —our $2.7-billion merger with World Color.

### Consistent Growth

Consistent growth in revenues and earnings reflects the success of our strategy. On a pro-forma basis, our revenues are now more than $6.5 billion, and since 1989, earnings per share have increased at an annual growth rate of more than 20 percent.

In 1999, the Company's revenues totaled $4.9 billion, increasing 30 percent over 1998. Operating income before restructuring and other charges rose to $473 million, 49 percent higher than the year before. Earnings per share increased 22 percent to $1.57, before restructuring and other charges, compared with $1.29 in 1998. We recognized one-time restructuring and other charges of $127 million net of tax to integrate World Color operations in the U.S. and improve operating performance in France.

The Company increased its financial leverage as a result of the merger, temporarily raising the debt-to-capitalization ratio beyond normal levels. However, by the end of 1999, total debt had dropped substantially, from a peak of $3.1 billion down to $2.8 billion. As we temporarily suspend business acquisitions to focus on the integration of World Color and maximize free cash flow, we expect to return to a one-to-one debt-to-equity balance as early as year-end 2000.

## World Color - A Clear First Choice

Before pursuing the merger with World Color, we conducted a broad analysis of the $150-billion U.S. print market, the largest in the world, comparing the costs and benefits of combining with certain of our major American competitors. World Color stood out as the clear first choice, providing the best opportunity to improve service to customers in our major markets—and consequently providing our shareholders with better returns. Once implemented, the merger and its financing also increased the public float of our stock to more than 90 million shares.

## One + One = Three

The merger not only doubled the size of the Company in the United States, it gave us a number of other clear advantages, including:

- **An expanded manufacturing platform** - Quebecor World operates the largest network of commercial printing plants in the United States and worldwide.
- **Significantly improved networks** - World Color added depth to our U.S. rotogravure and offset platforms, giving us a coast-to-coast capability in both major production processes.
- **Market leadership** - The combined operations have made Quebecor World the U.S. leader in magazines and catalogs, retail inserts, specialty printing and direct mail; the world leader in books, and a major producer of directories.
- **A broader technology offering** - We have expanded our ability to customize print, increased our use of digital tools and broadened our expertise in New Media.
- **Access to powerful communications channels** - As a member of the Quebecor family of companies, we offer customers a vast network of print and electronic channels to communicate their messages.

## An Unrivaled Management Team

Critical to the success of a corporate merger is leadership. Concurrent with the signing of the merger agreement, the Company established an Office of the Chief Executive Officer to oversee Quebecor World's strategic direction and long-term development, including the integration of World Color operations. We also appointed Marc L. Reisch, formerly President of World Color, President and Chief Executive Officer of our North American operations. Reporting to him is a new team of proven Product Group Presidents, selected from the best of both companies. To strengthen the leadership of our European and Latin American operations, we appointed Christopher H. Rudge, President, International Operations. He retains responsibility for the Company's Canadian operations.


**Charles G. Cavell,** President and Chief Executive Officer; and **Jean Neveu,** Chairman of the Board.

## Restructuring for Efficiency

In addition to significant management changes, we also began the process of integrating World Color operations. In the fall of 1999, we consolidated purchasing and other corporate services in the U.S., including value-added services such as digital services, logistics and distribution, and we reorganized our sales team to foster cross-selling and global sales.

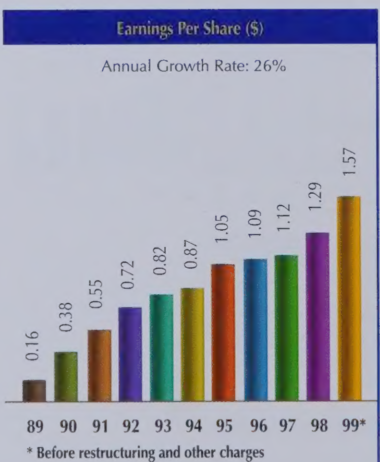
At the same time, we began to restructure our U.S. manufacturing platform in the United States to take full advantage of the synergies available to us. This restructuring, to be completed by mid-2001, will result in a significantly more efficient network of fewer but larger plants with increased specialization. It will also improve our distribution services, thereby reducing the final cost to our customers and allowing for faster delivery times.

**Office of the Chief Executive Officer**

The Office of the CEO was established to oversee Quebecor World's strategic direction and long-term development. Members of the Office are from left to right, *standing:* **Pierre Karl Péladeau**, Vice Chairman of the Board; **Charles G. Cavell**, President and Chief Executive Officer; **Christopher H. Rudge**, President of International Operations; *seated:* **Christian M. Paupe**, Executive Vice President; **Marc L. Reisch**, President and Chief Executive Officer of North American Operations.

## A Year of Solid Achievement

Even without achieving a landmark merger, 1999 would have been an exceptional year for Quebecor World.




■ **Strong Performance in North America** - In the United States, margins and profitability rose to record levels as the retail rotogravure network realized new efficiencies and productivity improvements following a major retooling program. Strong performance in all of the Company's divisions established in Canada, coupled with successful cost-containment initiatives, also translated into record revenues and margins.

■ **New Markets in Europe** - Acquisitions in Spain and Austria expanded the Company's product and geographic reach. Our purchase of Cayfo S.A., a leading Spanish book publisher, gave us an entry into the European book market, as well as a new capability and product line to sell throughout Europe. The acquisition of Oberndorfer Druckerei, a leading Austrian web offset printer, expanded access to Germany. Oberndorfer Druckerei currently exports approximately 60 percent of its production to customers in Germany.

■ **Contracts** - We signed major contracts including a $325-million agreement with Associated Newspapers Limited to print newspaper magazine supplements in the United Kingdom; a Cdn $1-billion contract extension with Sears Canada to print catalogs; and another $400-million contract with Editorial Perfíl in Argentina to print magazines. In the United States, significant contracts were signed with Thomson Group, Access Media and Pearson Group, among others.

■ **Capital Investment** - In 1999, Quebecor World made $195 million in capital investment to grow organically, improve efficiency and offer customers better service. Now that the retooling of the U.S. rotogravure network is complete and attention has shifted to integrating the two companies, the amount of capital investment required to maintain the Company's industry leadership position will be approximately $250 million in 2000, a level roughly equal to 70 percent of amortization of fixed assets.

■ **International Cross-Selling** - As customers expand globally, Quebecor World is ready to serve them wherever they go with our global network of operations in 15 countries. For example, we now print inserts and catalogs in five countries for Scandinavian retailer IKEA. We also recently expanded our relationships with major U.S. clients such as The Learning Tree, Forbes and Office Depot to print catalogs and inserts for them in Europe. Similarly, we are printing product for several of our key North American customers, including National Geographic and Reader's Digest Books, in our Latin American facilities.

## A Strong Culture and Committed Workforce

More than 40,000 employees deliver value to our customers in approximately 160 printing and related facilities located in 15 countries. At a time of great change, we wish to acknowledge their dedication and immense contribution to the Company's growth and success. We would also like to welcome our many new employees from World Color, Oberndorfer Druckerei, Cayfo, Editorial Perfíl, and Joncas Postexperts, who bring strengths and unique skills to the organization.

We would like to thank the members of our Board of Directors for their continued contribution. During the year, we welcomed two new Board members: Eileen A. Mercier and Robert Normand.

We were saddened by the death of Laszlo Ross, Chief Operating Officer, Europe. Mr. Ross was a strong and dedicated leader, well liked and respected by both management and employees. He will be deeply missed.

## Outlook

The future has never looked brighter for Quebecor World. We are the only true global printer at a time when many of our clients are expanding internationally. We also have a proven track record of successfully integrating acquisitions and providing increased value to shareholders. Now, with the merger of World Color, we have a management team, a manufacturing platform and an international sales and customer service network that no other industry player can match.

### 1999 Highlights

- **Created the world's largest commercial printing company with the merger of Quebecor Printing and World Color**
- **Established an Office of the Chief Executive Officer and a new senior operating management team in the United States**
- **Began restructuring operations in the United States and France to increase efficiency and asset utilization**
- **Expanded into new geographic and product markets with acquisitions in Spain, Austria and Argentina**
- **Achieved market leadership in the United States, the world's largest print market, in magazines, catalogs, retail inserts, specialty printing and direct mail**

Adding to this favorable outlook is a buoyant U.S. economy as well as above-trendline growth in advertising, driven by the intense competition among dot-com and bricks-and-mortar companies to build brand identity. Quebecor World is already demonstrating that it can capitalize on this growth, achieving 4 percent organic growth in the fourth quarter of 1999—much of this due to dot-com demand. In 2000, we will focus on integrating World Color assets into our global network. Maximizing free cash flow will also be a priority. We are confident that the cost savings and synergies being realized from restructuring initiatives will enable Quebecor World to grow earnings on a sustained basis.

Our goal is to provide the highest level of service to our customers and the best return for our shareholders. The new Quebecor World is better equipped than ever before to deliver on these commitments.

**Jean Neveu**
Chairman of the Board

**Charles G. Cavell**
President and Chief Executive Officer

# Q&A

## A Conversation with the CEO

Chief Executive Officer Charles G. Cavell discusses management's vision for the new Quebecor World.

**A lot has changed since the merger with World Color. Tell us about the new Quebecor World.**

We have essentially created a hybrid company that combines the best of two strong industry leaders. That's why we have decided to rename the Company "Quebecor World." What we've done is form a culture that brings together the strengths of the two companies, one that was more technology oriented, and the other that was more market focused. The marriage of these two companies will create new service levels for our customers and returns for shareholders that are unprecedented in the industry.

Each week, we print six million inserts for Access Media to advertise dot-com companies. In 1999, Quebecor World printed more than 12 million books for Microsoft Press.


The merger has also made us the largest commercial printer in the world. This increased size and scope give us tremendous advantages in meeting the communications needs of our customers, many of whom are also growing larger and more global in outlook.

**What is your vision for Quebecor World?**

Our vision remains the same—to serve our customers' needs. As digital technology revolutionizes the way people communicate, we are expanding our role far beyond traditional printing. Quebecor World has become an international print and image management company. Our Digital Services group, for example, is now a $150-million-a-year business. The term "prepress" is disappearing. We now call these services "pre-media" and they have been expanded to include digital photography, automated publishing systems and digital asset management, among other services that barely existed a few years ago. In fact, with the $35 million that we have invested in direct-to-plate technology, the product can be handled digitally from initial conception right up until the back of the printing press.

Ironically, the digital processes that we use to prepare content for printing are the same processes that are required to feed digital content to a Website, or an e-flyer, or an electronic catalog. Isn't it wonderful that we are now being presented with new markets for technology we are already investing in anyway?

Then there's the whole business-to-business side. We are using digital technology to collaborate more closely with clients and be more efficient. For example, we built a Website for AT&T Wireless that has enabled this client to consolidate much of its printing needs. Through the Website, the client informs us of his upcoming print requirements and we respond with feedback and estimates. Once the job is in process, the client can check on its progress right up until delivery. In this way, the chance of error is reduced; we can better manage our workflow and can respond more quickly to the client's requirements.

**What are your priorities?**

The best thing we can do for the Company, customers and shareholders is focus on completing the integration. Quebecor World has grown through acquisition, so we have lots of experience in consolidating operations. We've already begun to realize more cost savings from synergies than we originally anticipated. By consolidating our platform into fewer but larger and more specialized plants, we will reduce administrative costs and achieve better economies of scale. As well, increased plant specialization will allow for greater efficiency, and improved distribution will reduce the final cost to our customers and improve speed of delivery.

Additionally, we plan to take advantage of the opportunities presented by New Media and the Internet.

**Some people believe New Media is a threat, what are your views?**

If New Media is a threat to the printing business, then I'd like to see more threats like this! Was it the Super Bowl this year, or the "Dot-Com Bowl"? There is a flood of advertising from e-tailers and click-and-mortar companies to get users to "pick my site" out of the five million Websites, when thousands are being created every day. Their success, in fact their survival in most cases, just like

many retailers, is determined by promotional campaigns that generate traffic to their stores and Websites. The new e-tailers are using magazines, inserts and direct mail. One of our clients is printing six million retail inserts a week aimed exclusively at drawing traffic to various Websites. Just look at any magazine stand today and see how many more titles are related to New Media, or inside any magazine and see how much of the advertising is from dot-coms. Sears Canada, a major client of ours, continues to increase the number of catalog pages printed, while at the same time its e-commerce business is expanding exponentially, from $3 million in sales in 1998 to $22 million last year. We also printed more than 400 book titles related to the Internet and technology in 1999. I'd really like to see more threats like this!

**Looking at the Company as a whole, what are the goals for the future?**

It's wonderful to be the world's largest commercial printer, but our real goal is to apply that size and diversity to be the best communications ally our customers can possibly have. In addition, our goal to provide the best possible return to shareholders drives us to be not only the most successful consolidator in the industry, but also one of the most customer-focused. We have the leadership, the people, the plan and the technology to achieve that goal. I have never been more optimistic about the industry or the future of our Company.

## Using Print and New Media to Enhance Communications

Working in close partnership with customers, we are using New Media tools to enhance collaboration, to cut production times and costs, to better target end users, and to open new revenue opportunities for clients by repurposing information. These New Media tools are provided through a combination of in-house expertise and strategic partnerships with other companies in the Quebecor family such as Informission-Intellia and EntreVision, which provide a wide range of e-business solutions, as well as with outside players such as Broadcast.com.

■ Web-enabled electronic storefronts - Quebecor World has cut costs and improved client control on ordering through realtime, Web-enabled electronic storefronts with e-commerce capabilities for clients like AT&T Wireless and Microsoft, among others.

■ Electronic collaboration - Quebecor World has cut production time and improved communications by providing a technology solution that allows Brooks Drugs to share files with their agency and then electronically transfer the completed files to the Quebecor World printing facility and its direct-to-plate equipment.

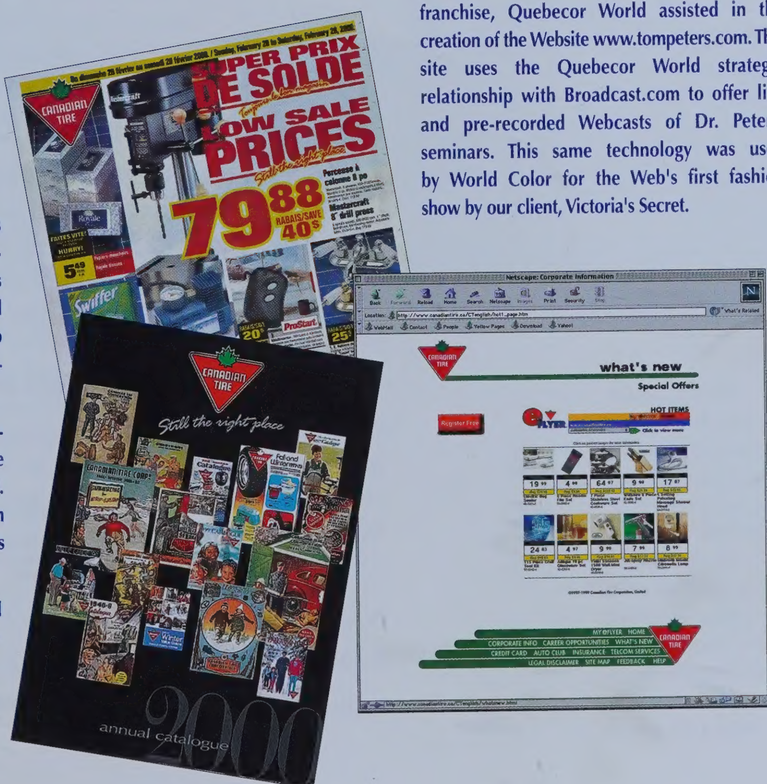
■ Remote proofing and network connectivity - Value City in Ohio and Rona in Canada use remote proofing for inserts to cut their time to market. Shoppers Drug Mart cut their print-production cycle substantially by distributed editing of files at several Canadian facilities.

■ Re-use of digital images - Quebecor World stores and updates digital images and text for Avon. This Digital Asset Management system allows Avon to access consistent information for its advertisements, catalogs and retail inserts in 26 countries. Similar services are provided to Toys "Я" Us.

■ Automated publishing systems (APS) - Quebecor World assists catalog clients like Vermont Country Store and K-B Toys publish catalogs more easily and rapidly with tools such as "Catalog Magician." Larger users such as Radio Shack use APS tools from Quebecor World's affiliate, Informission-Intellia.

■ Merging print and New Media - Quebecor World works with Canadian Tire at multiple levels. We use digital photography to capture images that are used in the catalogs and retail inserts that we print. Content data is repurposed in an e-flyer that Quebecor World created for Canadian Tire to extend its reach to Web-based clients.

■ Multimedia capabilities - Quebecor World prints the books and direct mail of leading management consultant, Tom Peters. To extend his franchise, Quebecor World assisted in the creation of the Website www.tompeters.com. This site uses the Quebecor World strategic relationship with Broadcast.com to offer live and pre-recorded Webcasts of Dr. Peters' seminars. This same technology was used by World Color for the Web's first fashion show by our client, Victoria's Secret.



Review of
# Operations

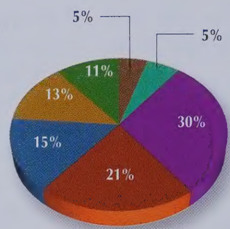
## Operations Reach New Heights

Propelled by efficiency gains from retooling and strong economic conditions in North America, Quebecor World operations reached new heights of performance during 1999. In the United States, the Company's rotogravure network set productivity records; its expanded specialty and direct mail business dominated the sector, and a surge in print demand from dot-com companies helped fuel organic growth. In Canada, a stellar performance across all product lines led to record margins, while in Europe and Latin America, strategic acquisitions expanded our geographic and product reach.

### Breakdown of 1999 Revenues ($ millions)

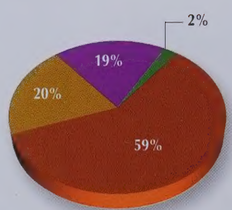
BY PRODUCT

| | |
|---|---|
| Magazines | $ 1,464 |
| Retail inserts | 1,041 |
| Catalogs | 771 |
| Books | 645 |
| Specialty Printing and Direct Mail | 531 |
| Digital and other value-added services | 267 |
| Directories | 234 |
| Total | $ 4,953 |




BY GEOGRAPHIC SEGMENT

| | |
|---|---|
| United States | $ 2,938 |
| Canada | 973 |
| Europe | 945 |
| Latin America | 97 |
| Total | $ 4,953 |




## International Cross-Selling

Quebecor World is expanding its relationships with customers and growing business through international cross-selling. With our networked operations and global sales focus, we are able to serve clients who operate around the world. For example, we now produce retail inserts and catalogs in five countries for Scandinavian retailer IKEA. We also recently expanded our relationships with major U.S. clients such as The Learning Tree, Forbes and Office Depot to print catalogs and retail inserts for them in Europe. Similarly, we are printing product for several of our key North American customers, including National Geographic and Reader's Digest Books, in our Latin American facilities.

## Expanding with Customers

Quebecor World's willingness to invest in new technology and expand production to keep pace with customer growth led to major new contracts and contract extensions. Working in close partnership with customers to achieve their goals has enabled us to underwrite virtually all of our major capital investments.

## Growing through Acquisitions and Strategic Alliances

While the merger of Quebecor Printing and World Color overshadowed events in 1999, both companies grew through acquisitions independently. World Color acquired commercial printing operations in New England: Infiniti Graphics and Universal Graphics. Quebecor World expanded in Spain, Austria and Argentina, entering new geographic and product markets through the following acquisitions:

- Cayfo S.A., Spain's second-largest book producer
- Oberndorfer Druckerei, a leading web offset printer in Austria
- the printing assets of Editorial Perfíl, a leading magazine publisher in Argentina.

Oberndorfer Druckerei - A leading web offset printer in Austria, gives Quebecor World strategic access to the German print market. Approximately 60 percent of Oberndorfer Druckerei's revenues come from sales to Germany.

## Building World Class Assets

Quebecor World operates the most diverse manufacturing platform in the industry. We combine digital services with an unrivaled mix of rotogravure, offset and sheetfed capacity to meet our customers' print media needs. We provide customers with access to highly sophisticated personalization and other value-added products and services. The World Wide Web has strengthened the demand for print as e-commerce marketers compete for user attention. The Company's Digital Services group is now serving both print and Web publishers.

During 1999, the Company spent $195 million on new plant, equipment and technology, including $40 million in World Color plants from the time of change in ownership. In 2000, capital investment will amount to approximately $250 million as the Company focuses its efforts on combining operations in the United States and using free cash flow to pay down debt. We are confident that this will be more than sufficient to maintain the modern state of our worldwide platform and grow our business.

## Greater Economies of Scale

The major competitive advantage conferred on Quebecor World by the merger is the ability to use our greater size to improve business. By operating fewer but larger and more specialized plants and integrating distribution and transportation systems in the United States, we are taking important steps to control costs and provide customers with access to greater economies of scale. Our worldwide procurement also enables us to partner with major suppliers on a global basis. That capability grew stronger during 1999 when several key executives assumed positions in our global procurement and treasury office in Switzerland.

## Pursuing Cross-Border Opportunities

Following the merger, the Company made a shift toward a continental business model in North America. The headquarters for North American operations, which are led by Marc L. Reisch, were established in Greenwich, Connecticut. While the Company's U.S. and Canadian operations continue to operate as separate business units, both are benefiting from increased coordination and cross-border business opportunities.


Cayfo S.A. - Quebecor World diversified into the European book market with the acquisition of Spain's second largest printer. The addition of Cayfo will also allow the Company to improve service to South America by coordinating activities with plants in Mexico, Peru and Colombia.

Quebecor World

# United States

**Marc L. Reisch**, Chairman, President and Chief Executive Officer, Quebecor World (USA) Inc.

Record revenues, operating income and margins reflected the robust health of the Company's U.S. operations. The merger more than doubled the size of our American operations, making Quebecor World the largest commercial printer in the United States. Other benefits of the merger include:

- **New opportunities for market leadership** - With the addition of World Color's facilities and expertise, the Company became the leading U.S. producer of magazines and catalogs, retail inserts, specialty printing and direct mail materials.
- **Expansion of our manufacturing platform** - By linking plants from both companies, we expanded our nationwide retail offset network and our continental directory network.
- **Greater access to technology** - World Color's leadership in customized printing and other value-added services enhanced our ability to compete in the fast growing direct mail sector. We can now combine more products and services to satisfy the wider communications needs of our customers.
- **Improved efficiency** - By taking steps to consolidate manufacturing in fewer but larger and more highly specialized plants, we began a process to increase equipment utilization and improve scheduling efficiencies. Increased mail consolidation will provide our customers deeper penetration into the postal system, which will reduce total distribution costs and shorten delivery times.

**Charles L. Miotke**, President, Targeted Publications. **Jerry W. Allee**, President, Book Services. **Ron F. Covelli**, President, Direct.

## Seasoned Team Leads U.S. Forward

A diverse team of seasoned executives is moving Quebecor World's U.S. operations forward. Led by Marc L. Reisch, President and CEO of our North American Operations, the new senior operating management team represents a winning blend of knowledge, skill and experience.

**Daniel J. Scapin**, President, Logistics Services. **John Paloian**, President, Magazine and Catalog. **Tom W. Oliva**, President, Gravure Magazine and Catalog.

## Completion of Rotogravure Retooling

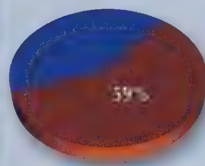
The Company has completed its $400 million retooling of its coast-to-coast rotogravure network in the United States. This network provides printing and related services to national retailers that rely on retail insert programs to generate in-store traffic. Quebecor World has installed the only 3.5-meter-wide presses in North America. These presses allow the Company to produce inserts at a faster rate than any other printer. We thus provide a competitive advantage to retailers electing to price their products at the last minute.

**Brian W. Sullivan**, President, Commercial. **David S. Boles**, President, Retail & Sunday Magazine. **Jack A. Schuh**, President, Digital Services.


**QW United States**

% OF TOTAL REVENUES




**Snapshot**

**1999 Revenues**
$2.9 billion

**Plants**
More than 90

**Employees**
30,000

A new 3.5-meter-wide press installed in our plant in Memphis, Tennessee has enabled us to expand with U.S. customers such as Sears. Quebecor World's willingness to invest in new equipment to better serve its customers' needs has paid off in contract extensions and new business.

The Company's national platform of manufacturing operations is linked by a fiber-optic network that can take customers' digital text and photo files and distribute them to the required sites, where the printing cylinders are engraved automatically. The physical product is only handled manually once the robots have stocked the inserts on pallets for shipping.

## New Products Build Business

The Company combined creativity with technology to introduce new products and develop new markets. Achievements in 1999 included:

- Several games and promotions launched by the Direct Marketing Group to support major movie releases. Specialty and direct marketing are two of the Company's fastest-growing sectors.
- A highly successful personalized catalog wrapper program for the U.S. auto industry, combining the one-to-one marketing capabilities of the Direct Marketing and Catalog groups.
- Demonstrated leadership in printing new magazine start-ups. Titles launched in 1999 include *CosmoGIRL!*, *Talk*, *National Geographic Adventurer*, *Stuff*, *Mode Girl* and *Noise*.
- Coupon books and other new products produced by the Retail Group.

**An employee inspects retail inserts being printed on one of the Company's new wide-web rotogravure presses. Rotogravure is an efficient process for printing high quality four-color, long-run catalogs, retail inserts and newspaper supplements.**

**In 1999, the Company welcomed 16,000 new employees from World Color.**

The finishing line at our plant in Memphis, Tennessee uses state-of-the-art robotics. During the period 1997 to 1999, Quebecor Printing and World Color invested a combined total of close to $1.2 billion to upgrade facilities and expand technological capabilities. A major portion of these investments went toward retooling the Company's roto-gravure operations.

## Industry-Leading Progress

Quebecor World made industry-leading progress in the U.S. in 1999. Significant events included:

- **Installation of Computer-to-Plate (CTP) equipment** - By the end of 2000, all offset magazine and catalog facilities will be equipped with CTP. More and more customers are using digital data in the creation of their printed products. Quebecor World's pre-media centers are being expanded to serve the digital photo and information needs of customers who are using the same files for both print and Web media.

- **Adoption of realtime software support** - An operations support system installed in the Company's retail plants provides customers with a single point of contact to the services of the entire network. The system supports order-taking to invoicing, enabling the Company to handle complete retail printing projects from coast to coast, regardless of the process used.

## Combining Forces

The merger of Quebecor Printing and World Color Press set the stage for an evolution in the operations of the combined company. That evolution got under way in the fall of 1999 as we began to implement a strategy to integrate facilities and functions in the United States.


Quebecor World has invested some $35 million in computer-to-plate technology, which increases efficiency and allows customers to make changes much later in the production cycle.

The first phase of the integration is already complete. Within a couple of weeks of the merger, we consolidated corporate functions, including finance, treasury, tax, legal, human resources and benefits. By the end of the year, the sales teams of both companies were reorganized into a single force with a strong focus on cross-selling.

The second phase, which involves the restructuring of our U.S. manufacturing platform, also began in 1999. Over an 18-month period, we will implement a more efficient plant organization, taking measures to consolidate operations in fewer, larger plants, to increase specialization, to combine equipment in the best mix, and to optimize distribution.

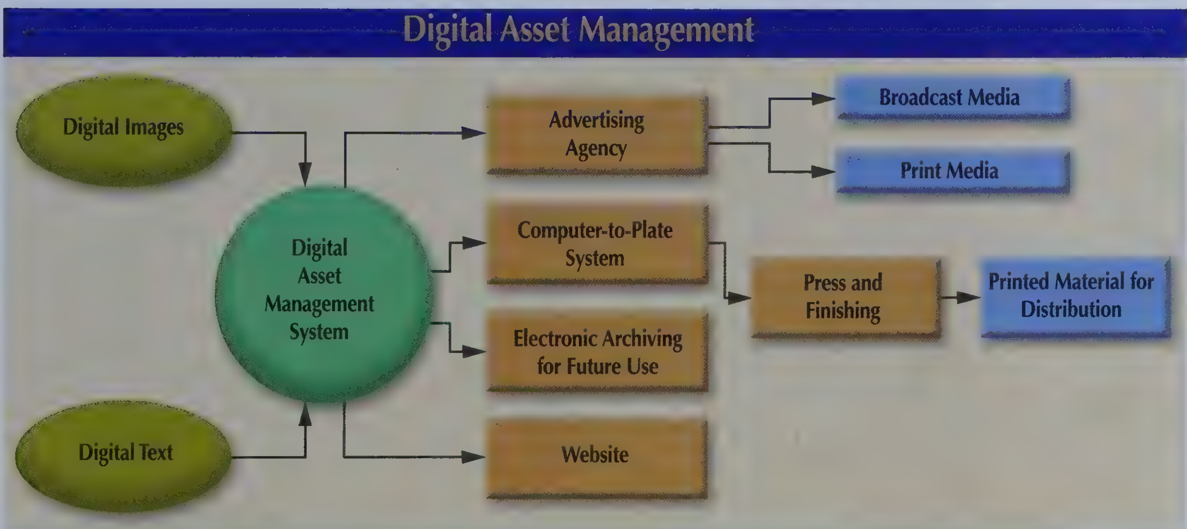
Quebecor World provides digital photography, page make-up, digital asset management, and a growing range of other value-added services.

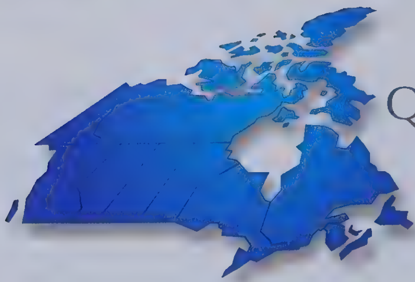
Restructuring projects that are now complete include the consolidation of digital services in Orlando, Florida, list services operations in Chicago, Illinois, and bindery operations in eastern Tennessee. Other important restructuring milestones include the closure of the Quebecor Printing retail plant in San Jose in 1999 and the transfer of equipment to Fernley, Nevada.

Since print demand is traditionally lower early in the year, we will take advantage of the industry's seasonality to make changes without impacting customer service or earnings. Most restructuring projects will be carried out during the first half of both 2000 and 2001.

## Outlook - U.S. Operations

In 2000, we will focus on taking advantage of the full benefits that the World Color merger brought to the combined company. Our greater capabilities will provide U.S. customers with access to strategic advantages such as one-stop shopping, a national, electronically linked network of digital pre-media facilities and a powerful distribution system. These value-added features will be among the key drivers of growth in U.S. revenues and margins in the future.





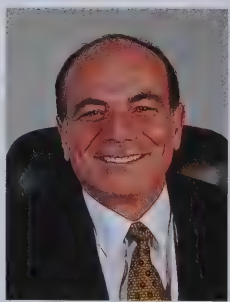
# Quebecor World Canada

The Company's Canadian and Directory operations continued to produce outstanding results, setting record operating margins in 1999. Every division made a solid contribution to this strong performance. Increases in volume, asset utilization and cash flow occurred across the board, as Canada's economy and the retail sector, in particular, performed well.

**Christopher H. Rudge**, President, Quebecor World Canada

## New Contract Reflects Strong Catalog Market

Late in the year, the Company reached an agreement valued at more than Cdn $1 billion to extend a long-term contract to produce catalogs for Sears Canada. Under the multi-year contract extension, Quebecor World will print 90 percent of Sears' catalogs for the Canadian market. A well established relationship with Sears Canada and our willingness to expand Canadian rotogravure capacity to meet the high demand for catalog production were major factors in reaching this agreement.



**John A. Bertuccini**, President, East Group. **Aivars Beikmanis**, President, Specialty Group, **David A. Bragen**, President, Directory Group. **Hans J. Nielsen**, President, Magazines, Catalogs and Retail Group.

## Expanding to Meet Customer Needs

During 1999, Quebecor World made a number of strategic moves to increase its share of the North American rotogravure market and improve service to retailers in both Canada and the United States. As part of that strategy, we expanded and upgraded the Company's PE&E facility, in Toronto, Ontario, to better meet the high Canadian demand for catalog production. A wide-web rotogravure press was installed in 1999, which, along with new cylinder-making equipment, expanded our capacity by almost 50 percent. An additional rotogravure press will be added in 2001. The PE&E plant is the only commercial printing operation in Canada equipped with rotogravure technology, which gives the Company a unique capacity to offer Canadian clients high quality long-run efficiency using the rotogravure process.

## Redefining Service

Canadian operations continued to take a leading role in helping customers meet their communications needs with more than ink on paper. In addition to providing high-quality print

products, the Specialty Group leveraged access to Quebecor Inc.'s Web-based distribution channels to provide customers with alternative media services. Quebecor World assisted a number of major clients combine print with electronic distribution options. A training company that was formerly a print customer, for example, expanded its business with the Specialty Group to develop a link to Quebecor Inc.'s CANOE Web portal.

## Continued Search for Growth & Efficiency

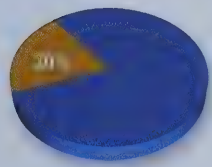
With presses booked to capacity in 1999, the search for growth centered on containing costs and making operations more efficient. Improvements included installation of a computer-to-plate system at the Company's retail insert plant in Concord, Ontario.

## Outlook - Canadian Operations

In 2000, our Canadian operations will continue to benefit from enhanced service and cost-containment initiatives undertaken in 1999. Our coast-to-coast fiber-optic network will be completed by mid-year, enabling industry-leading file transfer speeds for regional, national and North American "distribute, then print" campaigns. The expansion of capacity at the PE&E rotogravure facility, in response to demand from retail customers, and our ability to develop new business that combines print and electronic media, will also contribute to organic growth in Canada.

**QW Canada**

% OF TOTAL REVENUES




**Snapshot**

**1999 Revenues**
$973 million

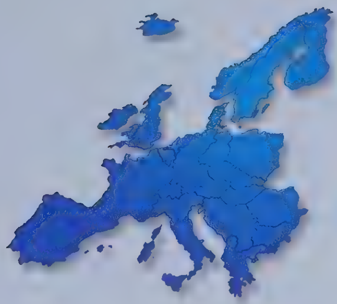
**Plants**
39

**Employees**
6,200

Directory operations comprise a global network of seven plants serving major telecommunications companies.

Quebecor World is expanding its rotogravure facility near Toronto to better meet the high demand for catalog production. The Company will produce more than 60 million catalogs a year for Sears Canada under the terms of a contract extension announced in early 2000.

Quebecor World
# Europe



As the largest commercial printer in Europe, Quebecor World continued to solidify its pan-European network during 1999. The year's events proved the value of the Company's diversification strategy. While overcapacity in France contributed to lower-than-expected earnings, operations in Austria, Spain, and the Nordic countries produced strong results.

**Christopher H. Rudge,** President, Quebecor World International

## Acquisitions Expand Markets

In 1999, the Company made two acquisitions that expanded its geographic and product reach in Europe. The purchase of Oberndorfer Druckerei, a leading web offset printer in Austria, provided greater access to the German market. Oberndorfer Druckerei exports approximately 60 percent of its production to customers in Germany.

In Spain, the Company gained a foothold in the European book market with the purchase of Cayfo S.A., a leading book producer. The Cayfo acquisition also strengthened the Company's position in the Spanish print market, which is developing rapidly due to lower production costs and favorable economic conditions.

**Antonio Fernandez Jurado,** General Manager, Altair Quebecor (Spain);
**Eveline Kettl,** General Manager, Oberndorfer Druckerei (Austria).

## Continental Sales Approach

The Company's European sales force began operating along international rather than national lines in 1999. Following the Cayfo acquisition, for example, the European sales force was expanded to offer books throughout the European Union and to build business with customers in the large Hispanic markets of Latin America. Other recent continental sales have involved producing work for the United Kingdom in France and in the Company's Nordic plants.

**Hans Carlsson,** General Manager, Quebecor Printing Norden;
**John Dickin,** General Manager, Quebecor Printing (U.K.).

## Reorganization in France

As part of a major restructuring program initiated in 1999, the Company has intensified activities to reduce overhead and streamline operations in France. In recent years, overcapacity and strong competition have affected pricing, volumes and margins in the French market, causing results to fall short of expectations. The Company is optimistic that recent initiatives and restructuring activities planned for 2000 will improve productivity, stimulate greater growth in revenues and lead margins back to previous levels in the near term.

## UK Contract Secures Production for Seven Years

The willingness to invest in technology and guarantee secure production was critical to our success in negotiating a seven-year contract extension to produce magazine supplements for a major British newspaper publisher. Under a contract valued at more than $325 million, excluding paper, Quebecor World will produce four magazine supplements for Associated

An in-line finishing plow at Printor Direct, France.

Our U.K. operations secured a multi-year $325-million contract with Associated Newspapers Ltd. to print newspaper magazine supplements for distribution in the United Kingdom.

Newspapers Ltd. (ANL) at its facilities in Corby, England. ANL's principal titles include *The Evening Standard, The Mail on Sunday* and the *Daily Mail*. ANL continues to expand its circulation at great pace and against market trends. Corby also gained two new titles from Independent Newspapers to replace a magazine that was transferred to the Company's rotogravure facility in Lille, France last year, capitalizing on the pan-European facilities we offer our customers.

Quebecor World prides itself on growing to meet the needs of its customers. Since the ANL contract commenced in 1995, the weekly press capacity required for ANL titles has increased by 73 percent and we have kept pace, expanding our Corby facilities to handle the added production. Corby is now the site of the largest insert/bindery installation in the world. With the installation of an additional Ferag binder in 1999 and another to follow in 2000, Corby will operate six of these technology-leading machines that can assemble over 100,000 magazines an hour.

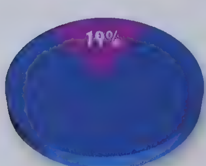
Russia's economic downturn affected both price and volume in the Quebecor Norden operations located in Sweden and Finland. Poor economic conditions led to a steep drop in the number of television magazines printed for the Moscow market. Work from the United Kingdom and France, made possible by Quebecor World's networked operations, replaced some of the lost production. Revenues from value-added activities rose during 1999, as demand increased for perfect binding and other services.

Due to the proximity of its Finnish plants to both Moscow and St. Petersburg, Quebecor Norden is well positioned to serve the Russian market when economic conditions improve. Quebecor Norden's four plants print magazines, catalogs and retail inserts, using a combination of rotogravure and offset equipment.

During 1999, Quebecor World installed computer-to-plate (CTP) technology in some of its Norden offset facilities. By the end of 2000, all of the Company's Nordic offset facilities will be equipped with CTP systems, providing customers with reduced lead times and faster turnarounds.

**QW Europe**

% OF TOTAL REVENUES



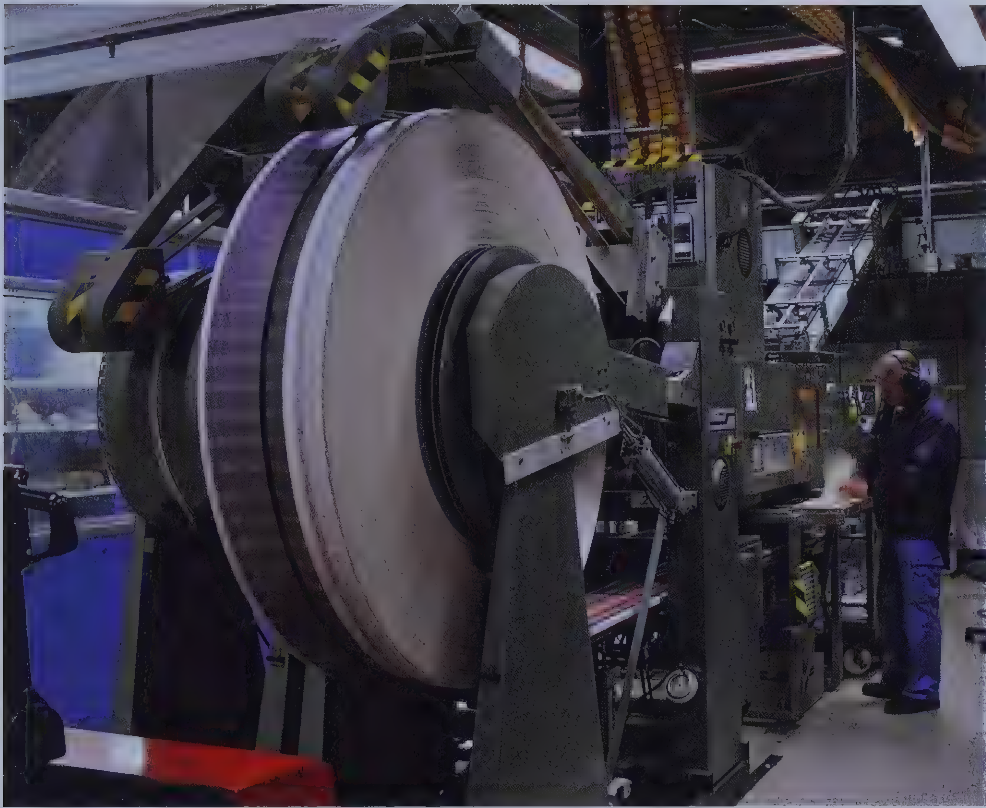

**Snapshot**

**Countries**
United Kingdom, France, Sweden, Finland, Germany, Austria and Spain

**1999 Revenues**
$945 million

**Plants**
28

**Employees**
6,000

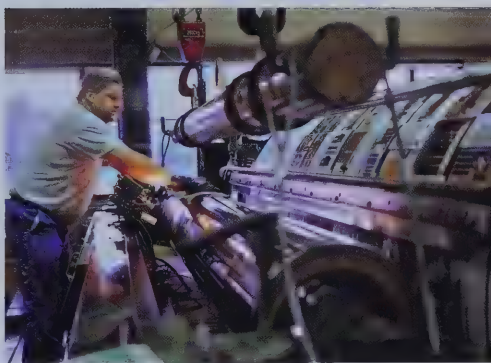


Quebecor Norden was acquired in 1998. It comprises four plants, three in Sweden, and one in Finland. The Swedish operations are networked with Quebecor World's other European plants.

## Spanish Book Plant Leads to Synergies

In Spain, the acquisition of Cayfo is leading to synergies as links are established with other Quebecor World book plants in Mexico, Peru and Colombia. Cayfo uses state-of-the-art equipment to produce high quality hard- and softcover books for both the domestic market and export.

Productivity rose in Altair Quebecor located near Madrid, following the installation of a new 48-page press in the fall of 1999. The new press can print, stitch and trim 60 pages in a single pass. Altair Quebecor is a major producer of magazines and inserts.



The Finnish operations are well positioned to serve the Russian and Eastern European markets.

## Outlook - European Operations

We expect to see improved results in France as restructuring activities lead to greater efficiencies and the market provides new opportunities for growth. Even with the addition of new bindery and inserting equipment, British operations will continue to be full meeting the demand for newspaper magazine supplements. The Nordic plants will focus on raising productivity through investment in digital equipment and increasing market share in northern Europe. Spain is expected to deliver strong results again in 2000, as production rises in the refurbished Altair plant in Madrid and the Cayfo book plant in Barcelona is integrated into our European sales and production networks. Austria will be key to our growing penetration of the European market. The addition of a new 48-page press at Oberndorfer Druckerei will strengthen its leadership position in Austria.

Quebecor World
# Latin America

**Guy Trahan,** President, Quebecor World Latin America

## Entrée to Rotogravure Market

In 1999, we continued to pursue a strategy of geographic and product diversity in Latin America. With the acquisition of the printing assets of Editorial Perfíl, which operates the only gravure facility in Argentina, Quebecor World entered the South American market for retail inserts. We are now in a position to serve domestic customers and to build new business with international publishers and retailers with interests in South America.

The acquisition also allowed us to sign a 10-year contract for Perfíl's magazines valued at $400 million. Perfíl, the largest magazine publisher in Argentina, sells more than 35 million copies a year of some of Argentina's top magazine titles such as *Caras, Noticias,* and *Semanario.*

**Yves Bertrand,** Vice President, Finance, QW Latin America,
**Carlos Herman Aguirre Vargas,** Regional Vice President, QW Latin America,
**Pedro Isasi Rivero,** General Manager, Quebecor Perú.

In 1999, the Company announced plans to move a narrow-web rotogravure press from the United States to the Perfíl plant. The transfer will enable us to improve service to South American customers by increasing magazine and insert volume in Argentina and introducing more modern efficiencies such as digital engraving and solvent recovery. By finding a new use for a press made surplus by the consolidation of U.S. operations, we will continue to make productive use of a valuable asset through redeployment.

## Strategic Alliances Expand Business

Strategic alliances offer a means of expanding quickly when conditions are favorable. During 1999, we entered a strategic alliance with Gráfica Melhoramentos, a publishing and printing company located in Sao Paulo, Brazil. The agreement provides for an exchange of information and cooperation in a number of technical and business areas.

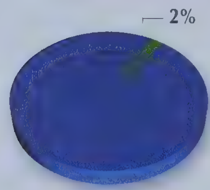
**Alberto Umaña,** General Manager, Quebecor Impreandes (Colombia),
**Maria Umaña,** Director of Operations, Quebecor Impreandes (Colombia),
**Reynaldo Mina,** General Manager, Quebecor Argentina.

## New Link Strengthens Book Network

The Company strengthened links between its Spanish-language book plants during 1999 by transferring control for its Mexican facility, Gráficas Monte Alban, from the U.S. Book Group to Latin American operations. This organizational decision will enable Gráficas Monte Alban to better coordinate production with the Company's book operations in Colombia. The Company now offers hardcover book production in Mexico and Colombia.

QW Latin America

% OF TOTAL REVENUES




Snapshot

**Countries**
Argentina, Chile, Colombia, Mexico, Peru

**1999 Revenues**
$97 million

**Plants**
6

**Employees**
1,500

**Editorial Antártica - The Quebecor World plant in Santiago, Chile produces magazines, inserts and books on a combination of web offset and sheetfed equipment.**


## Latin American Sales Network Expands

Throughout 1999, the Company strengthened and expanded its Latin American sales network. The network is now linked to Europe and North America through an office in Dallas, Texas. In its first year of operation, the Dallas office developed business representing more than five percent of revenues generated in Latin America. The Company is marketing its advantages as a low-cost producer capable of delivering the same high standard of quality across its global network to customers around the world. We are currently reviewing several other potential strategic alliances in the Latin American market.

## New Contracts in Latin America

New contracts were signed in Latin America for the production of Spanish and Portuguese-language versions of *National Geographic* magazine and with Bell South of Atlanta, Georgia, for the production of telephone directories for various countries. A contract to produce telephone directories for Telefónica del Perú was renewed.

## Outlook - Latin American Operations

During 2000, the Company will develop new strategies to grow the business and introduce efficiencies to reduce production costs. Selective business acquisitions may flow from strategic alliances as circumstances warrant.

Quebecor World

# Committed to Environmental Management

Quebecor World continued to deliver on its commitment to protect the environment and to use natural resources responsibly during 1999. The Company led the way in environmental management through its Enviro-Printer™ Program, which emphasizes the three Rs—Reducing, Reusing and Recycling

Quebecor World plants in the Nordic countries have earned the right to display the Nordic Swan environmental label by meeting high standards for environmental compliance.

## Nordic Swan Recognizes Environmental Leadership

Quebecor Norden is continuing to show environmental leadership by meeting the high standards set by the Nordic countries. During 2000, Helprint Quebecor, located in Finland, is scheduled to be awarded the Nordic Swan environmental label. Companies must meet strict criteria to earn the right to display the symbol.

Interprint Quebecor, located in Sweden, was the first Nordic rotogravure plant to be awarded the Nordic Swan in 1997, and Sörmlands Grafiska Quebecor, also in Sweden, earned the designation in 1998. The Nordic Swan, which is administered by the Nordic Ecolabelling Board, is the world's first multinational environmental labelling program.

This new modern solvent-recovery plant helps ensure that our plant in Finland meets the criteria of the Nordic Swan environmental label.

QUEBECOR WORLD

envision
integrate
enhance
innovate
serve

# *the* demand

"One-stop shop," total services printer. Global network of gravure, web offset and sheetfed operations complemented by creative, digital photography, pre-media, binding, fulfillment and logistics services. Print services integrated with total e-commerce solutions.

# *our* synergy

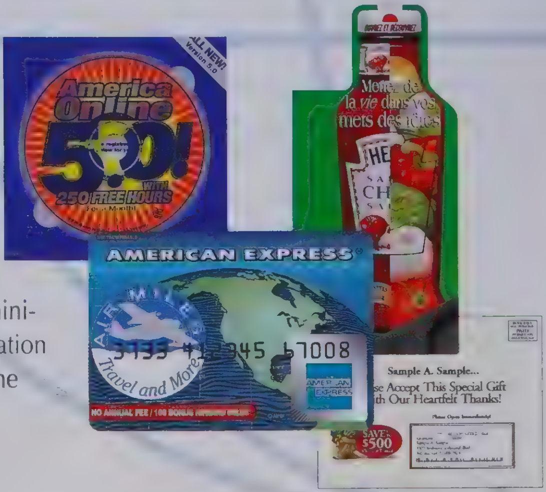
Integrated global product and services network brings greater flexibilities, capabilities and economies to customers.

# *our* vision

Taking traditional retail, magazine, catalog and book print markets into the virtual e-marketplace. Redefining print. Moving from brick and mortar to click and mortar. Multi-purposing print content onto the Internet. Further enhancing the value of print through e-commerce sites and related promotional direct mail campaigns. Our team of digital services, print production and e-commerce solution providers are leading the way.

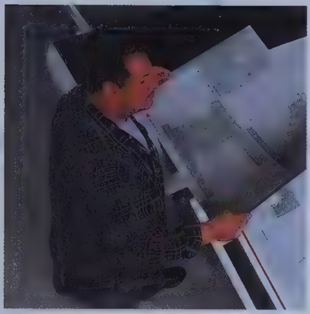

# *our* response

Providing creative, effective direct marketing solutions. Expertise in mini-targeted customization, personalization and target marketing. Unique in-line finishing capabilities. Effective, economical, eye-catching results.



# our innovation

Dedicated solutions provider equipped to meet today's critical business challenges. Advanced manufacturing, distribution and fulfillment technology. Capacity, geographic range, process flexibility and expertise. State-of-the-art fibre optics-linked pre-media facilities, rotogravure, direct digital engraving and offset Computer-to-Plate capabilities.



**Leaders in Print Technology** Largest base of Computer-to-Plate output devices in the world. Leader in wide web offset technology. Largest supplier of gravure technology.

**Target Bound®** Advanced selective binding lines and ink jet addressing and messaging capabilities. Ability to create up to 10,000 print versions, complete with personalized advertising and editorial messages.

**Retail Operations Support (R.O.S.)** An innovative, interconnected system forming a "Virtual Mega-Plant." Seamless, responsive interface for retail customers, from job creation to billing. Accommodates the changing nature and time constraints inherent in the retail insert market.

**Pool Mailing** Sophisticated system offering specialized addressing, sorting, packaging and palleting capabilities. Delivers significant postal savings to customers. Combines different customers into a large, single list to qualify the maximum number of copies for the 5-digit discount and/or the carrier route discount.

**Logistics** History of industry "firsts" and "best-in-class" systems, including our multi-plant newsstand and mail pools, automated Standard A delivery systems, dynamic periodicals entry pool and tray co-palletization systems. Creator/owner of Visions, the industry's most widely used, commercially available entry point planning system. Transportation Manager, our newest application, takes optimization and end-to-end integration to a new level.


# our advantage

A cross-market, cross-culture strategic industrial partner. A leading gravure, web offset and sheetfed printer in North America, Europe and Latin America. Global customers' single source printer of choice. Value-added production platform: magazine, catalog, retail, direct, directory, book and commercial print markets. Extensive, integrated network promoting economies of scale. Providing pan-European, multilingual solutions to host of blue-chip clients.



# *our* strength

**A leader in every major print market: magazines, catalogs, books, commercial, direct, directories, retail inserts and Sunday magazines.**

## Books

Multinational book manufacturer, printing more than 1 billion books annually for major publishers worldwide. One- to eight-color printing in hard cover, soft cover and a variety of special formats. Offers complete digital file transfer, proofing, digital printing, binding, distribution and fulfillment services.

## Catalogs

A primary leader in the management and distribution of print and digital information, offering a full range of services, including geographic and demographic versioning, digital asset management and optimal postal discounts. Our logistics-based delivery system will satisfy even the most demanding distribution schedule.

## Commercial

Serving the advertising campaign and business program needs of a diversified customer base. Manufacturing a variety of high-quality printed products, which range from glossy annual reports, brochures and catalogs to hard-working direct mail and newspaper retail inserts.

## Digital Services

Providing customers a full complement of digital capabilities and technical services. Repurposing digital assets for the Internet and e-commerce or applying advanced electronic pre-media technology that will prepare pages for print. Digital Services offers creative, design, digital photography services, digital asset management, process engineering and workflow consulting.

## Direct

Industry leader in direct mail production. Providing direct marketers with direct mail and printed products that increase response. From traditional direct mail packages to highly complex products such as customized open-ended mailers, catalog outerwraps, and promotional game pieces. Services include research and development, product design, conventional and digital pre-media, printing, in-line finishing, ink jet and laser personalization and mail distribution.

# our innovation

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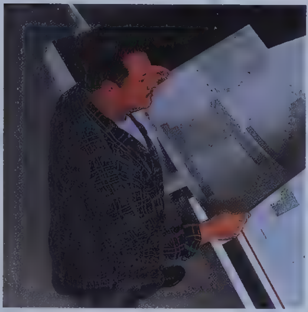

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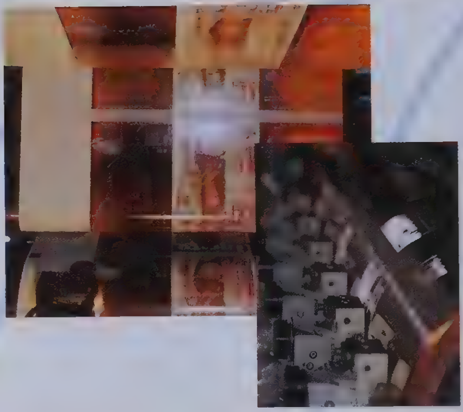

# *our* synergy

Integrated global product and services network brings greater flexibilities, capabilities and economies to customers.

# *our* vision

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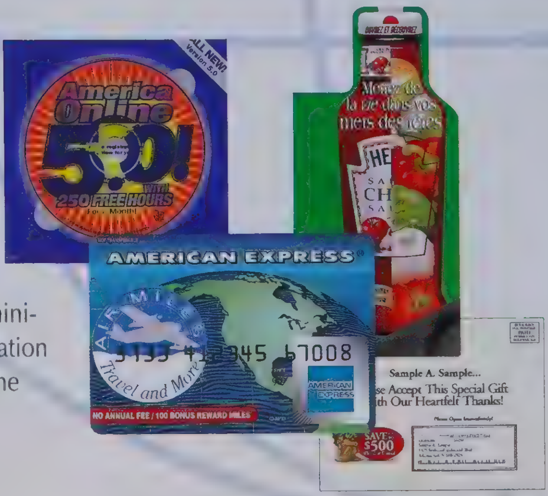



## Directories

Second largest directory supplier in North America, printing more than 180 million directories annually. Also providing printing services in New Delhi, India, and support services in South America. Our customer requirements call for printing in single spot colors as well as four-color process with critical register. Offering full electronic pre-media capabilities, including digital file transfer, perfect binding, mailing services and the Q-CaPS™ catalog publishing system. This information management system provides a variety of pre-media options, from customized interface software programming, to catalog pagination and typesetting, to price sheet generation.

## Logistics

Premier logistics provider for the print industry, leveraging volume to drive deeper postal penetration and sortation with lower production and transportation costs. Our mail consolidation platform provides the optimal mix of postal penetration, efficient transportation and plant efficiency. Mail capabilities extend from state-of-the-art mail list processing technology through entry point optimization, load planning, consolidation, carrier management, mail tracking to sophisticated customer reporting.

## Magazines

Leader in magazine printing for the nation's foremost publishers, offering gravure and offset press capabilities along with a vast array of services from the latest digital technologies to economical distribution and mailing systems. This integrated network ensures our customers the highest level of service, quality and technological edge for success.

## Retail

Specializing in retail inserts and Sunday magazines. Serving short-run and long-run customers on both a national and regional basis. Variety of run lengths up to 40 million per event. Increased versioning for more targeted distribution. Complementary services include: digital pre-media, promotion management systems, digital asset management, e-commerce interface, and comprehensive logistics and distribution.

## Targeted Publications and Catalogs

Dedicated to special interest publications, trade magazines, and catalogs with print quantities of 250,000 and below. Computer-to-Plate technology, nearly unlimited press configurations and finishing options, and mailing and distribution economies. While remaining focused on the needs of special interest publications and catalogs, we offer customers the opportunity to benefit from the economies enjoyed by their larger competitors.

QUEBECOR WORLD

# Financial Section of Quebecor Printing Inc.*

## Table of Contents



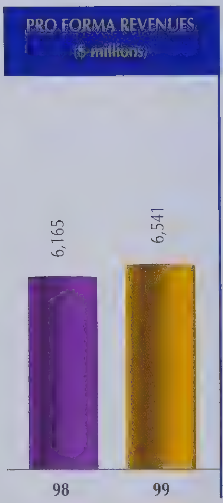
* At the Annual Meeting of Quebecor Printing Inc. on April 25, 2000, shareholders will be asked to approve a change of legal name to Quebecor World Inc.

Management's Discussion and Analysis of

# Financial Condition and Results of Operations

## Overview

Quebecor Printing is the largest commercial printer in the world. We are a market leader in most of our product categories, which include magazines, retail inserts, catalogs, books, specialty printing and direct mail, directories, digital pre-media services, CD-ROM mastering and replicating and other value-added services. We have facilities in the United States, Canada, France, the United Kingdom, Spain, Sweden, Finland, Austria, Germany, India, Chile, Argentina, Peru, Colombia, and Mexico.




On July 12, 1999, we entered into an Agreement and Plan of Merger with World Color Press, Inc. ("WCP"), through our indirect wholly owned subsidiary Printing Acquisition Inc. ("Acquisition Inc."). WCP was the second-largest commercial printer in the United States. On July 16, 1999, through Acquisition Inc., we commenced a tender offer to acquire up to 23.5 million shares of WCP's common stock at a price of $35.69 per share. On August 20, 1999, Acquisition Inc. acquired 19.2 million or 50.4% of WCP's common shares. On October 8, 1999, we completed the merger through conversion of the remaining WCP's shares into the right to receive $8.18 in cash and 1.2685 of our Subordinate Voting Shares per WCP's share. The total consideration was $2.7 billion, including the assumption of debt and the issuance of approximately 25 million of our Subordinate Voting Shares. The cash consideration for the WCP shares totaled $853 million and was financed through drawdowns on the $1.25 billion acquisition bank credit facility and the existing revolving bank credit facility.

Based on the above, we have consolidated WCP's results since August 20, 1999, with a non-controlling interest equivalent to 49.6% of WCP's outstanding common stock recorded for the period from August 20, 1999 through October 8, 1999. As mentioned in Note 7 to the financial statements, unaudited pro-forma revenues for 1999 and 1998 were $6.5 billion and $6.2 billion, respectively.

In 1999, we also acquired two European companies and made other acquisitions in Canada, the United States and South America for an aggregate purchase price of approximately $152 million, including assumed debt. These companies have been included in our results of operations since their respective acquisition dates have not had a material effect on our results of operations, nor are they expected to on a continuing basis. All 1999 acquisitions were accounted for under the purchase method.

In October 1999, we sold the operating assets of our BA Banknote Division for a total cash consideration of $18 million. We recognized a loss of $1.9 million on this divestiture of a non-core business, which is included in restructuring and other charges.

In September 1998, we sold our check and credit card businesses. We recognized a gain on the sale of $13.5 million, which was recorded as a reduction of selling, general and administrative expenses.

The 1999 and 1998 sales of certain assets and businesses have not had a material effect on our results of operations.

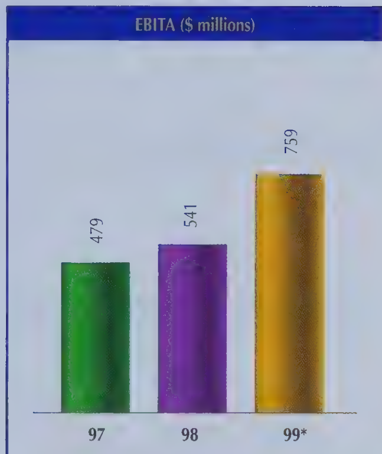
## Financial Highlights

We achieved record revenues, operating income before restructuring and other charges, and free cash flow in 1999. Revenues increased by 30% to $4,953 million in 1999 from $3,808 million in 1998. Operating income and net income before restructuring and other charges increased by 49% and 30% to $473 million and $207 million, respectively, in 1999. Earnings before interest, taxes, amortization (EBITA) and before restructuring and other charges increased by 40% or $218 million to $759 million in 1999. Earnings per share before restructuring and other charges increased by 22% to $1.57 in 1999 from $1.29 in 1998.

Cash earnings per share (earnings per share adjusted to exclude goodwill amortization) before restructuring and other charges increased by 27% to $1.81 in 1999 from $1.43 in 1998.

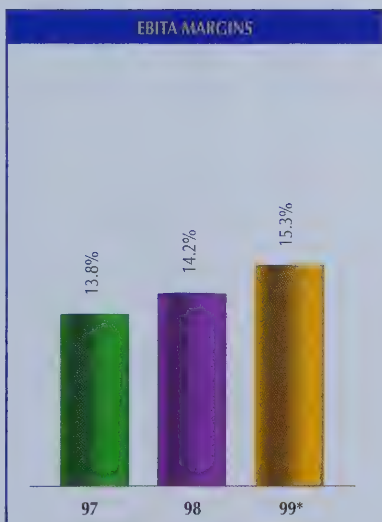
Our eighth consecutive year of growth is a result of the acquisition of WCP, as well as an increase in organic growth due to improved efficiency and productivity of recently retooled plants in the United States. A strong performance by Canadian operations also contributed to the growth, while volume worldwide was positively affected by increased advertising pages, including those related to Internet/New Media companies.

The above results exclude $180 million pre-tax or $127 million after-tax of restructuring and other charges that we recognized in 1999 primarily to integrate the WCP acquisition into our operations and also to reorganize our operations in France. The integration strategy included plans to consolidate duplicate facilities and functions, with a particular focus on developing plant specialization, exit certain manufacturing facilities that were underperforming, streamline administrative management and the salesforce and sell certain non-core operations. The restructuring and other charges consisted primarily of $100 million for the write-down of impaired assets and $63 million in severance, benefits and other personnel costs. Other charges of $17 million included additional costs to exit facilities and other commitments.



* Before restructuring and other charges

The implementation of the restructuring initiatives in the United States began after the acquisition on October 8, 1999. We have closed several facilities and are in the process of transferring equipment to other facilities. We have written down fixed assets to reflect their fair market value. In January 2000, we announced the closure of other facilities. We estimate that the plans implemented to date will eliminate more than 800 employee positions. Cash transactions of $13 million have been charged against the reserve through year-end 1999. In addition, as part of the purchase equation, a reserve of approximately $55 million was recorded for the restructuring of WCP plants. We expect to incur cash restructuring costs of approximately $80 million in 2000. The remaining cash outlay of $28 million will extend through to the first half of 2001.

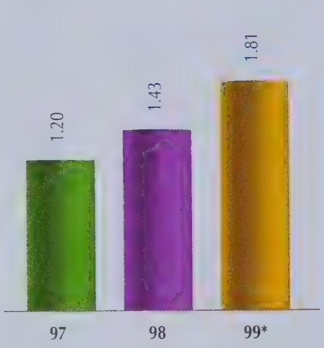


* Before restructuring and other charges

In 1998, we initiated a program to focus on core activities by selling the check and credit card businesses. This was pursued in 1999 with the sale of the operating assets of the BA Banknote Division. We closed five other facilities earlier in the year, after closing three in 1998.

Revenues from the United States and Canada represented 59% and 20% of our total 1999 revenues, respectively. Approximately 61% of our total 1999 operating income before restructuring and other charges was generated from the United States and 20% from Canadian operations. The remaining revenues and operating income were contributed primarily by European operations.

CASH EARNINGS PER SHARE ($)




* Before restructuring and other charges

Our revenues include sales of paper we purchased for certain customers. The price of paper, our primary raw material, may cause significant swings in revenues and cost of sales. We generally are able to pass on increases in the cost of paper to our customers, while declines in paper costs result in lower prices to our customers. In 1998, paper prices declined from previous years and availability was plentiful for most grades of paper. Early in 1999, paper prices in general continued to decline moderately and in the fourth quarter of 1999, paper prices started to recover. We expect the trend of increasing paper prices to continue throughout 2000. Contracts with our customers generally provide for price adjustments to reflect price changes for raw materials, wages and outside services.

## Results of Operations

**Year Ended December 31, 1999**

**Compared to the Year Ended December 31, 1998**

Consolidated revenues increased by $1,145 million or 30% to $4,953 million in 1999 from $3,808 million in 1998. The increase was due primarily to the acquisition of WCP, as discussed above. Internal growth was mostly offset by the conversion of foreign-currency denominated sales into U.S. dollars.

Magazine revenues continued to be our largest product category, representing 30% and 29% of our total revenues in 1999 and 1998, respectively. Our retail inserts, catalogs and books revenues as a percentage of total revenues remained stable from 1998 to 1999 at 21%, 16% and 13%, respectively. Revenues from specialty printing and direct mail, directories, digital and other value-added services as a percent of total revenues also remained relatively stable from year to year.

Cost of sales increased by $866 million or 29% to $3,845 million in 1999 from $2,979 million in 1998. Gross profit margins improved to 22.4% in 1999 from 21.8% in 1998 due to efficiencies and productivity gains from retooling certain plants in the United States and the implementation of restructuring initiatives in the fourth quarter of 1999. Canadian operating margins improved to 9.9% in 1999 from 9.5% in 1998, despite the sale of the check and credit card businesses in 1998.

Selling, general and administrative expenses increased by 21% or $61 million to $348 million in 1999 from $287 million in 1998. The increase was due primarily to the acquisition of WCP and the inclusion in 1998 of the $13.5 million gain on the sale of the check and credit card businesses. Selling, general and administrative expenses as a percentage of revenues decreased slightly from 1998 to 1999 due to benefits derived from cost-saving initiatives such as the consolidation of general and administrative activities in the United States, partially offset by the 1998 gain on sale discussed above.

EBITA before restructuring and other charges increased by 40% or $218 million to $759 million in 1999 from $541 million in 1998. The improvement in the EBITA margin to 15.3% in 1999 from 14.2% in 1998 was primarily due to contributions from accretive acquisitions as well as organic growth in Canada and retooled plants in the United States.

Amortization of fixed assets and deferred charges increased by 28% to $286 million in 1999 from $224 million in 1998. The increase was primarily due to amortization of fixed assets from business acquisitions and capital spending in prior years. We expect to spend $250 million in 2000 on capital expenditures.

Financial expenses increased by $58 million or 90% to $122 million in 1999 from $64 million in 1998. The increase was a result of the total debt incurred and assumed in the acquisition of WCP.

The effective tax rate was 28.2% for 1999 and 29.6% for 1998. This improvement is due to the increase in taxable income in jurisdictions where tax benefits were not previously recorded, as well as growth of taxable income in jurisdictions with lower tax rates.

Non-controlling interest increased by $10 million to $13 million in 1999 from $3 million in 1998. The one-time increase is related to the 49.6% non-controlling interest recorded for WCP results from August 20 to October 8, 1999. Goodwill amortization increased by 93% or $14 million to $30 million in 1999 from $16 million in 1998. This increase results from the $1.9 billion in goodwill created principally by the WCP acquisition, which is being amortized over 40 years.

## Results of Operations

**Year Ended December 31, 1998**

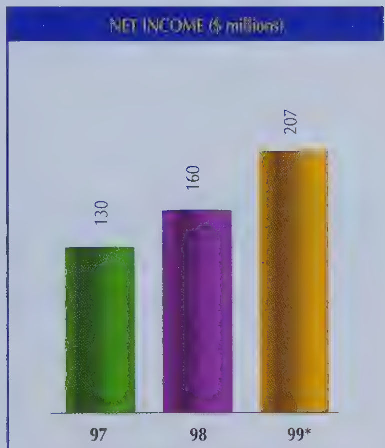
**Compared to the Year Ended December 31, 1997**

Consolidated revenues increased by $325 million or 9% to $3,808 million in 1998 from $3,483 million in 1997. The increase was due primarily to 1998 business acquisitions as well as full-year contributions from 1997 acquisitions.

Magazine revenues continued to be our largest product category, representing 29% of our total revenues for both 1998 and 1997. Revenues from retail inserts and catalogs as a percentage of total revenues were 21% and 16% in 1998 and 20% and 14% in 1997, respectively. The increase was due to the impact of acquisitions on these segments. Books revenues as a percent of total revenues decreased to 13% in 1998 from 15% in 1997. The decrease was primarily due to the intense competition in the industry brought about by press overcapacity and consolidation among publishers. Revenues from specialty printing and direct mail, directories, digital and other value-added services as a percentage of total revenues remained relatively constant from year to year.

Cost of sales increased by $243 million or 9% to $2,979 million in 1998 from $2,736 million in 1997. Gross profit margins increased to 21.8% in 1998 from 21.4% in 1997 due primarily to purchasing synergies and acquisitions, offset by additional costs incurred in 1998 for reorganization efforts, plant expansions and related costs.

Selling, general and administrative expenses increased by 7% or $19 million to $287 million in 1998 from $268 million in 1997. The increase was due primarily to acquisitions and to $1.8 million of acquisition costs written off in 1998 for the unsuccessful bid for Watmoughs PLC, offset by the inclusion in 1998 of the gain on sale of the check and credit card businesses of $13.5 million. Selling, general and administrative expenses as a percentage of revenues decreased slightly from 1997 to 1998 due to benefits derived from cost-saving initiatives such as the consolidation of general and administrative activities in the United States and the establishment of a global procurement center in Fribourg, Switzerland, as well as the 1998 gain on sale discussed above.



* Before restructuring and other charges

EBITA increased by 13% or $62 million to $541 million in 1998 from $479 million in 1997. The increase in the EBITA margin to 14.2% in 1998 from 13.8% in 1997 was primarily due to contributions from acquisitions as well as organic growth.

Amortization of fixed assets and deferred charges increased by $23 million or 11% to $224 million in 1998 from $201 million in 1997. The increase was primarily due to higher amortization resulting from our intense capital spending in the current and prior years.

Financial expenses decreased by $3 million or 4% to $64 million in 1998 from $67 million in 1997. The

decrease was primarily due to a reduction in variable interest rates and the issuance of preferred shares in November 1997.

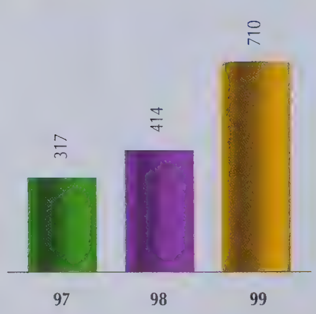
The effective tax rate was 29.6% for 1998 and 32.7% for 1997. The decrease resulted from our expansion into jurisdictions where the tax rate was lower and the use of tax loss carryforwards.

Goodwill amortization increased by 57% or $6 million to $16 million in 1998 from $10 million in 1997. This increase was primarily a result of goodwill incurred from 1998 and 1997 acquisitions.

## Liquidity and Capital Resources

We continued to generate a high level of cash provided from operating activities in 1999, reaching $710 million compared to $414 million in 1998 and $317 million in 1997. The increase in cash provided from operating activities in 1999 is due primarily to business acquisitions as well as the decrease in non-cash working capital. At December 31, 1999, working capital was $40 million versus $244 million at December 31, 1998. The decrease of $204 million or 84% was primarily due to the 1999 asset securitization transaction and additional accrued liabilities resulting from the restructuring charges incurred, mostly in connection with the WCP integration.

CASH PROVIDED FROM OPERATING ACTIVITIES ($ millions)




In 1999, we entered into an asset securitization agreement to sell, on a revolving basis, a portion of trade receivables in the U.S., up to a maximum of $206 million. Accordingly, trade receivables at December 31, 1999 were reduced by $200 million. In addition, WCP has had a similar asset securitization program in place since 1997 to sell up to $204 million of trade receivables on a revolving basis. In December 1999, both programs were combined to create a maximum securitization limit in the U.S. of $408 million. We also maintained our 1998 Canadian asset securitization program allowing for a maximum of Cdn $125 million. At December 31, 1999, $400 million and Cdn $100 million ($69 million) were outstanding under the respective asset securitization programs.

Capital expenditures, net of proceeds from disposals, totaled $169 million and $312 million in 1999 and 1998, respectively. These capital expenditures reflected the purchase of additional press and bindery equipment which are part of an ongoing program to grow our business and to maintain modern, efficient plants and continually increase productivity. We expect capital expenditures in 2000 to be approximately $250 million, of which approximately $60 million will be focused on the redeployment of equipment from closed facilities to ones that can use the equipment to increase productivity and provide cost efficiencies. The Company expects to invest $150 million in new projects to grow operating income, while environmental and other operating capital expenditures will account for the balance. In 1999, $130 million was dedicated to new expansion projects while environmental and other capital expenditures in the normal course of business accounted for $65 million.

In 1999, we issued 6.5 million Subordinate Voting Shares for Cdn $234 million ($159 million). Share issuance expenses of Cdn $9.9 million ($6.7 million) were recorded as a reduction in retained earnings.

Pursuant to the acquisition of WCP, we issued 25 million Subordinate Voting Shares for $23.61 per share based on the average market price before and after the acquisition. Share issuance expenses of $9.4 million were recorded as a reduction in retained earnings.

Also during 1999, we paid dividends totaling $0.28 per share on our Multiple Voting Shares and Subordinate Voting Shares, representing an increase of 17% over 1998. We also paid dividends totaling Cdn $1.25 per share on our First Preferred Shares Series 2.

We believe that our liquidity, capital resources and cash flows from operations are sufficient to fund planned capital expenditures, working capital requirements and interest and principal payments for the foreseeable future.

## Financial Position

At December 31, 1999, our debt-to-equity ratio increased to 55:45 from 44:56 at December 31, 1998. Our total debt at December 31, 1999 and 1998 was $2,846 million and $1,266 million, respectively, and our weighted average borrowing rate was 6.7% at December 31, 1999 compared to 5.6% at December 31, 1998, as a result of higher floating rates of interest. The increase in our debt was primarily due to the $923 million of debt incurred for business acquisitions and the $1,258 million of debt assumed in the acquisition of WCP. Approximately $531 million of free cash flow from operations after net capital expenditures and preferred share dividends was generated in 1999, which was largely used to pay down outstanding debt. In 1998, we generated $91 million of free cash flow calculated on the same basis.

Our financing transactions during the year included the refinancing of an existing bank credit facility of $1.0 billion to extend the maturities to 2003 through 2005 and the initiation of a commercial paper program, originally for Cdn $250 million and increased to $250 million by year-end. Finally, an additional bank credit facility was negotiated in the context of the WCP acquisition for an initial amount of $1.25 billion with tranches maturing between 2000 and 2002. This amount was later reduced to $1.1 billion at our request. Amounts available under undrawn long-term bank credit facilities at December 31, 1999 totaled $588 million.

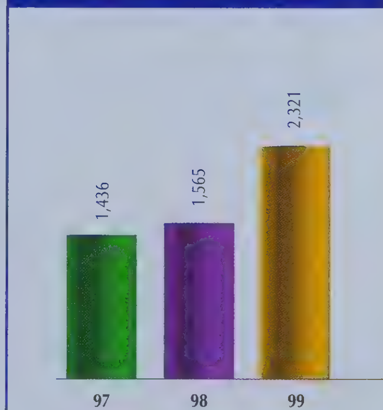
Debt assumed from WCP and outstanding at December 31, 1999 included two senior subordinated notes having fair market values of $302 million and $289 million at the time of acquisition and maturing in 2008 and 2009, respectively. Also assumed were WCP's convertible senior subordinated notes amounting to $144 million at year-end, including the equity portion, and maturing in 2007. Each note outstanding is convertible into the right to receive cash and approximately 30.5884 of our Subordinate Voting Shares at a price of $26.24 per share.

Our total required principal repayments on long-term debt are $77 million in 2000 and $133 million in 2001, including the settlement of purchase price balances related to business acquisitions.

## Risks and Uncertainties

In the normal course of business, we are exposed to changes in interest rates. However, we manage this exposure by having a balanced variety of debt maturities as well as a combination of fixed and variable rate obligations. In addition, we have entered into interest rate swap agreements and cross-currency interest rate swap agreements to manage both our interest rate and foreign exchange exposure. Our interest rate swap agreements hedge obligations with a notional value of $46 million in euros and expire between December 2000 and March 2003. Our cross-currency interest rate swap agreements hedge obligations with a notional value of $26 million in euros and expire between December 2000 and November 2001. These agreements did not have a material impact on the financial statements for the periods presented.

SHAREHOLDERS' EQUITY ($ millions )

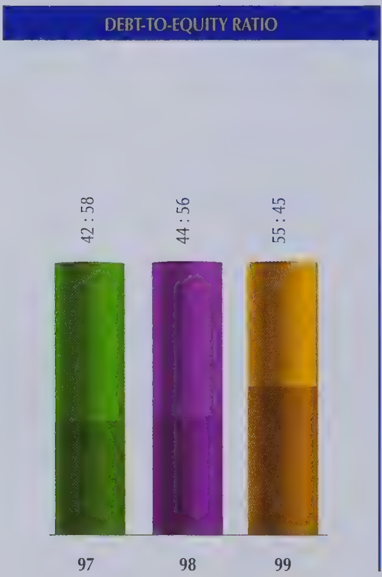



We have also entered into foreign exchange forward contracts and cross-currency interest rate swaps to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales, and to manage our foreign exchange exposure on certain liabilities. Contracts outstanding at year-end have a notional value of $416 million.

While the counterparties of these agreements expose us to credit loss in the event of non-performance, we believe that the possibility of incurring such a loss is

remote due to the creditworthiness of the counterparties. We do not hold or issue any derivative financial instruments for trading purposes.

Concentrations of credit risk with respect to trade receivables are limited due to our diverse operations and large customer base. As of December 31, 1999, we had no significant concentrations of credit risk. We believe that the product and geographic diversity of our customer base is instrumental in reducing our credit risk, as well as the impact on our local market or product-line demand. We have long-term contracts with most of our largest customers. These contracts generally include price-adjustment clauses based on the cost of paper, ink and labor. We do not believe that we are exposed to an unusual level of customer credit risk.




The primary raw materials used in our manufacturing process are paper and ink. We use our purchasing power as one of the major buyers in the printing industry to obtain the best prices, terms, quality control and service. To maximize our purchasing power, we negotiate with a limited number of suppliers.

In 1999, we had 91 collective bargaining agreements in North America. Of this total, 15 agreements expired in 1999 and 3 are still under negotiation. In addition, 19 collective bargaining agreements covering 1,300 employees will expire in 2000. The Company has approximately 10,000 unionized employees in North America; 15 of our largest plants in North America are non-unionized.

## Accounting Policies

Significant differences between generally accepted accounting principles ("GAAP") in Canada and the United States are discussed in Note 21 to the Financial Statements.

In 1999, the Company adopted the new disclosure guideline in Canada concerning the statement of cash flows and the presentation of goodwill amortization after income taxes, as recommended by the Canadian Institute of Chartered Accountants.

In 1998 and 1999, the Accounting Standards Board of the Canadian Institute of Chartered Accountants adopted new requirements for the accounting of post-retirement benefits and income taxes. Essentially, these new Canadian guidelines are in line with the United States FAS 106 and 109 covering the same subjects, the effect of which is described in Note 21 to the Financial Statements "Significant differences between generally accepted accounting principles ("GAAP") in Canada and the United States." The Company will adopt these new accounting guidelines in 2000.

## Seasonality

The operations of our business are seasonal, with approximately two-thirds of historical operating income recognized in the second half of the fiscal year, primarily due to the higher number of magazine pages, new product launches and back-to-school and holiday catalog promotions.

## Forward-Looking Statements

Except for historical information contained herein, the statements in this document are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. Those risks include, among others, changes in customer demand for our products, changes in raw material and equipment costs and availability, seasonal changes in customer orders, pricing actions by our competitors and general changes in economic conditions.

## Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Quebecor Printing Inc. and its subsidiaries, and all the information in this Annual Report, are the responsibility of management and are approved by the Board of Directors of Quebecor Printing Inc.

These financial statements have been prepared by management in conformity with generally accepted accounting principles in Canada and include amounts that are based on best estimates and judgments. The financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management of the Company and of its subsidiaries, in furtherance of the integrity and objectivity of data in the financial statements, have developed and maintain systems of internal accounting controls and support a program of internal audit. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements included in this Annual Report principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.

**Jean Neveu**
Chairman of the Board

**Christian M. Paupe**
Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer

Montreal, Canada
January 28, 2000

## Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Quebecor Printing Inc. and its subsidiaries as at December 31, 1999 and 1998 and the consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 1999, 1998 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years ended December 31, 1999, 1998 and 1997 in accordance with generally accepted accounting principles in Canada.

KPMG LLP
Chartered Accountants

Montreal, Canada
January 28, 2000

# Consolidated Statements of Income

Years ended December 31
(in thousands of US dollars, except for earnings per share amounts)

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| **Revenues** | **$4,952,537** | $3,808,155 | $3,483,199 |
| Operating expenses: | | | |
| Cost of sales | **3,845,407** | 2,979,493 | 2,736,283 |
| Selling, general and administrative (note 7) | **347,893** | 287,374 | 267,741 |
| Amortization of fixed assets and deferred charges | **285,992** | 223,789 | 200,804 |
| | **4,479,292** | 3,490,656 | 3,204,828 |
| **Operating income before restructuring and other charges** | **473,245** | 317,499 | 278,371 |
| Restructuring and other charges (note 3) | **180,000** | – | – |
| Operating income after restructuring and other charges | **293,245** | 317,499 | 278,371 |
| Financial expenses (note 4) | **122,177** | 64,300 | 66,887 |
| Income before income taxes | **171,068** | 253,199 | 211,484 |
| Income taxes (note 5): | | | |
| Current | **57,019** | 43,207 | 40,541 |
| Deferred | **(8,858)** | 31,621 | 28,567 |
| | **48,161** | 74,828 | 69,108 |
| Income before non-controlling interest | **122,907** | 178,371 | 142,376 |
| Non-controlling interest (note 7) | **12,701** | 3,198 | 2,011 |
| **Net income before goodwill amortization** | **110,206** | 175,173 | 140,365 |
| Goodwill amortization | **30,150** | 15,613 | 9,925 |
| **Net income** | **$ 80,056** | $ 159,560 | $ 130,440 |
| Net income available to holders of preferred shares | **10,092** | 10,136 | 1,458 |
| Net income available to holders of equity shares | **$ 69,964** | $ 149,424 | $ 128,982 |
| **Earnings per share (note 6)** | **$ 0.56** | $ 1.29 | $ 1.12 |
| **Earnings per share before goodwill amortization** | **$ 0.80** | $ 1.43 | $ 1.20 |
| Average number of equity shares outstanding (in thousands) | **125,393** | 115,703 | 115,567 |

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Shareholders' Equity

Years ended December 31
(in thousands of shares and of US dollars)

| | 1999 | | 1998 | | 1997 | |
|---|---|---|---|---|---|---|
| | **Number** | **Amount** | Number | Amount | Number | Amount |
| **Capital stock:** | | | | | | |
| ***Equity Multiple Voting Shares:*** | | | | | | |
| Balance, beginning of year | **63,985** | **$158,275** | 63,985 | $158,275 | 63,985 | $158,275 |
| Conversion into Subordinate Voting Shares | **(1,000)** | **(6,002)** | – | – | – | – |
| Balance, end of year | **62,985** | **152,273** | 63,985 | 158,275 | 63,985 | 158,275 |
| ***Equity Subordinate Voting Shares:*** | | | | | | |
| Balance, beginning of year | **51,805** | **527,381** | 51,592 | 525,244 | 51,550 | 524,748 |
| Conversion of Multiple Voting Shares into Subordinate Voting Shares | **1,000** | **6,002** | – | – | – | – |
| Issuance of treasury shares for cash (note 14) | **6,500** | **159,143** | – | – | – | – |
| Shares issued in connection with the acquisition of World Color Press, Inc. (note 14) | **25,045** | **591,317** | – | – | – | – |
| Shares issued from stock plans (note 15) | **340** | **5,248** | 213 | 2,137 | 42 | 496 |
| Balance, end of year | **84,690** | **1,289,091** | 51,805 | 527,381 | 51,592 | 525,244 |
| ***First Preferred Shares Series 2:*** | | | | | | |
| Balance, beginning of year | **12,000** | **212,482** | 12,000 | 212,482 | – | – |
| Shares issued for cash | – | – | – | – | 12,000 | 212,482 |
| Balance, end of year | **12,000** | **212,482** | 12,000 | 212,482 | 12,000 | 212,482 |
| **Total – Capital stock** | | **1,653,846** | | 898,138 | | 896,001 |
| **Contributed surplus** | | **88,737** | | 88,737 | | 88,737 |
| **Other paid-in capital** (note 13) | | **20,831** | | – | | – |
| **Retained earnings:** | | | | | | |
| Balance, beginning of year | | **629,596** | | 508,514 | | 406,649 |
| Net income | | **80,056** | | 159,560 | | 130,440 |
| Share issue expenses (net of income taxes of $5,646 ($1,701 in 1997)) (note 14) | | **(10,484)** | | – | | (3,126) |
| Dividends: | | | | | | |
| Equity shares | | **(35,253)** | | (27,774) | | (25,449) |
| Preferred shares | | **(10,164)** | | (10,704) | | – |
| Balance, end of year | | **653,751** | | 629,596 | | 508,514 |
| **Translation adjustment** (note 16) | | **(96,281)** | | (51,967) | | (56,912) |
| **Total – Shareholders' equity** | | **$ 2,320,884** | | $ 1,564,504 | | $ 1,436,340 |

See Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

Years ended December 31
(in thousands of US dollars)

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| **Operating activities:** | | | |
| Net income | $ **80,056** | $ 159,560 | $ 130,440 |
| Non-cash items in net income: | | | |
| Amortization of fixed assets | **269,746** | 214,203 | 193,869 |
| Amortization of goodwill and deferred charges | **46,396** | 25,199 | 16,860 |
| Non-cash portion of restructuring and other charges (note 3) | **111,312** | – | – |
| Imputed interest | **3,181** | 1,048 | 6,570 |
| Amortization of deferred financing costs and exchange losses | **1,642** | 1,187 | 1,958 |
| Deferred income taxes (note 5) | **(8,858)** | 31,621 | 28,567 |
| Non-controlling interest | **12,701** | 3,198 | 2,011 |
| Loss (gain) on sale of a business (note 7) | **1,851** | (13,492) | – |
| Other | **(9,308)** | 2,758 | (1,009) |
| Changes in non-cash balances related to operations: | | | |
| Trade receivables | **175,804** | 20,143 | (80,321) |
| Inventories | **34,160** | 28,986 | (43,302) |
| Trade payables and accrued liabilities | **(43,212)** | (49,995) | 65,063 |
| Other current assets and liabilities | **32,988** | (4,735) | 16,245 |
| Other non-current assets and liabilities | **1,683** | (5,766) | (19,701) |
| Cash provided from operating activities | **710,142** | 413,915 | 317,250 |
| **Financing activities:** | | | |
| Net change in bank indebtedness | **(13,671)** | (2,343) | 18,085 |
| Net proceeds from issuance of capital stock (note 14) | **153,907** | 2,137 | 208,151 |
| Issuance of long-term debt | **1,082,701** | 290,805 | 1,058,552 |
| Repayments of long-term debt | **(841,914)** | (128,400) | (935,806) |
| Dividends on equity shares | **(35,253)** | (27,774) | (25,449) |
| Dividends on preferred shares | **(10,164)** | (10,704) | – |
| Dividends to non-controlling shareholders | **(761)** | (1,503) | (1,066) |
| Cash provided from financing activities | **334,845** | 122,218 | 322,467 |
| **Investing activities:** | | | |
| Business acquisitions, net of cash and cash equivalents (note 7) | **(923,250)** | (260,208) | (314,627) |
| Sale of business (note 7) | **21,911** | 33,395 | – |
| Additions to fixed assets | **(194,708)** | (312,123) | (325,606) |
| Net proceeds from disposal of assets | **25,532** | 357 | 7,587 |
| Cash used by investing activities | **(1,070,515)** | (538,579) | (632,646) |
| Effect of exchange rate changes on cash and cash equivalents | **28,832** | 2,375 | (7,497) |
| Net increase (decrease) in cash and cash equivalents | **3,304** | (71) | (426) |
| Cash and cash equivalents, beginning of year | **309** | 380 | 806 |
| Cash and cash equivalents, end of year | $ **3,613** | $ 309 | $ 380 |

See Notes to Consolidated Financial Statements.

# Consolidated Balance Sheets

December 31
(in thousands of US dollars)

| | 1999 | 1998 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ **3,613** | $ 309 |
| Trade receivables (note 8) | **743,305** | 695,867 |
| Inventories (note 9) | **486,228** | 233,019 |
| Prepaid expenses | **27,831** | 25,035 |
| | **1,260,977** | 954,230 |
| Fixed assets (note 10) | **2,881,105** | 2,210,964 |
| Goodwill, net of accumulated amortization of $88,024 and $59,350 respectively | **2,460,418** | 595,724 |
| Other assets | **153,752** | 81,198 |
| | $ **6,756,252** | $ 3,842,116 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Bank indebtedness | $ **5,646** | $ 15,607 |
| Trade payables and accrued liabilities | **1,099,631** | 601,244 |
| Income and other taxes | **38,751** | 42,207 |
| Current portion of long-term debt (note 11) | **77,260** | 51,066 |
| | **1,221,288** | 710,124 |
| Long-term debt (note 11) | **2,582,911** | 1,140,941 |
| Other liabilities (note 12) | **225,146** | 127,859 |
| Deferred income taxes | **204,269** | 223,085 |
| Convertible debentures (note 13) | **179,752** | 58,193 |
| Non-controlling interest | **22,002** | 17,410 |
| Shareholders' equity: | | |
| Capital stock (note 14) | **1,653,846** | 898,138 |
| Contributed surplus | **88,737** | 88,737 |
| Other paid-in capital (note 13) | **20,831** | – |
| Retained earnings | **653,751** | 629,596 |
| Translation adjustment (note 16) | **(96,281)** | (51,967) |
| | **2,320,884** | 1,564,504 |
| | $ **6,756,252** | $ 3,842,116 |

See Notes to Consolidated Financial Statements.

On behalf of the Board:

**Jean Neveu**, Director

**Charles G. Cavell**, Director

# Notes to Consolidated Financial Statements

Years ended December 31, 1999, 1998 and 1997
(in thousands of US dollars, except for earnings per share amounts)

## 1. Significant accounting policies:

### (a) Consolidation:

The consolidated financial statements include the accounts of Quebecor Printing Inc. and all its subsidiaries (the "Company") and are prepared in conformity with generally accepted accounting principles in Canada. Significant differences between generally accepted accounting principles in Canada and the United States are described in note 21.

### (b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are stated at cost, which approximates market value.

### (c) Foreign currency translation:

Financial statements of self-sustaining foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded under a separate caption of shareholders' equity and are included in income only when a reduction in the investment in these foreign operations is realized.

Foreign currency transactions are translated using the temporal method. Translation gains and losses are included in income, except for unrealized gains and losses arising from the translation of long-term monetary liabilities which are deferred and amortized over the remaining life of the related item.

### (d) Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of pension and other employee benefits, reserves for environmental matters and restructuring charges, useful lives of assets for depreciation, amortization and evaluation of impairment of assets, assets acquired and liabilities assumed in a purchase combination, provision for income taxes and the determination of fair value of financial instruments. Financial results as determined by actual events could differ from those estimates.

### (e) Derivative financial instruments:

The Company uses various derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates and interest rates. These derivative financial instruments are accounted for on an accrual basis. Realized and unrealized gains and losses are deferred and recognized in income in the same period and in the same financial statement category as the income or expense arising from the corresponding hedged positions.

## 1. Significant accounting policies: (cont'd)

### (f) Securitization of trade receivables:

Where groups of trade receivables are sold under terms that transfer the significant risks and rewards of ownership to third parties, the transaction is recognized as a sale and the trade receivables are accordingly removed from the consolidated balance sheets.

### (g) Inventories:

Raw materials and supplies are valued at the lower of cost, using the first in, first out method, and replacement cost. Work in process is valued at the lower of cost and net realizable value.

### (h) Fixed assets:

Fixed assets are stated at cost. Cost represents acquisition or construction costs including preparation and testing charges and direct financial costs incurred with respect to the fixed assets until they are ready for commercial production. Amortization is provided using the straight-line basis over the estimated useful lives as follows:

| Assets | Estimated useful lives |
|---|---|
| Buildings | 20 to 40 years |
| Equipment | 5 to 18 years |

### (i) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets of businesses acquired. Goodwill is amortized over a period not exceeding 40 years.

The Company monitors its goodwill balances to determine whether any impairment of these assets has occurred. Where circumstances or events indicate a possible inability to recover the carrying amount of goodwill related to a business acquisition, the Company evaluates, on an undiscounted basis, the cash flows of the underlying businesses which gave rise to the goodwill. No such events or circumstances have occurred during the year.

### (j) Deferred income taxes:

The Company follows the tax deferral method of accounting for income taxes, whereby earnings are charged with income taxes relating to reported earnings. Differences between such taxes and taxes currently payable are accounted for as deferred in the income statement and the balance sheet and arise because certain items of revenue and expense are reported in the accounts at different times than they are reported for income tax purposes.

Income taxes related to retained earnings of foreign subsidiaries are not provided for by the Company, as such earnings are reinvested in foreign operations.

## 1. Significant accounting policies: (cont'd)

### (k) Post-employment benefit costs other than pension costs:

The Company provides benefits other than pension benefits, such as life and medical insurance, to certain retired employees. The costs of these benefits are accounted for using the pay-as-you-go method whereby the costs are taken into account when incurred by the retired employee and paid by the Company.

### (l) Reclassifications:

Some 1998 and 1997 financial statement accounts have been reclassified to conform with the presentation adopted for the year ended December 31, 1999.

## 2. Accounting change:

Effective in 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow statements. The standard requires that, among other things, non-cash items be excluded from investing and financing activities and disclosed elsewhere in the consolidated financial statements in a way that provides all relevant information about investing and financing activities. Changes in short-term borrowings, other than bank overdrafts which are an integral part of the day-to-day cash management process, are accounted for as financing activities. The standard requires retroactive application with prior comparative information being restated.

## 3. Restructuring and other charges:

The Company recorded $180,000,000 of restructuring and other charges in 1999:

| | |
|---|---|
| Write-down of assets | $ 99,794 |
| Restructuring charges | 63,286 |
| Other special charges | 16,920 |
| | $ 180,000 |

The restructuring charges include principally the cost of restructuring various operations and the write-down of certain impaired assets. The provision includes costs related to the closing of plants and cost of severance, benefits and other personnel-related costs. They also include the cost of streamlining administrative management and implementation of a salesforce reduction program. These activities are expected to be substantially completed by June 2001.

## 4. Financial expenses:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Interest on long-term debt and on convertible debentures | $ 123,519 | $ 67,388 | $ 68,716 |
| Interest on short-term debt | 3,216 | 5,552 | 2,477 |
| Securitization fees and other | 3,543 | 2,549 | 1,075 |
| Amortization of deferred financing costs and exchange losses | 1,642 | 1,187 | 1,958 |
| Exchange gains and other | (3,643) | (947) | (931) |
| | 128,277 | 75,729 | 73,295 |
| Interest capitalized to the cost of fixed assets | (6,100) | (11,429) | (6,408) |
| | $ 122,177 | $ 64,300 | $ 66,887 |
| Cash interest payments | $ 110,362 | $ 74,037 | $ 59,487 |

## 5. Income taxes:

The following table reconciles the international statutory tax rate with the effective tax rate:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| International statutory tax rate | 30.3% | 31.1% | 33.6% |
| Lower tax rate on restructuring and other charges | 0.9 | – | – |
| Recovery of income taxes arising from the use of unrecorded tax benefits | (1.7) | (2.3) | (1.8) |
| Other | (1.3) | 0.8 | 0.9 |
| Effective tax rate | 28.2% | 29.6% | 32.7% |
| Cash payments for income taxes | $ 46,444 | $ 44,399 | $ 41,131 |

In 1999, the deferred income tax expense includes an amount of $53,755,000 of recovery related to the restructuring and other charges.

## 6. Earnings per share:

The calculation of earnings per share is based on the weighted daily average number of shares outstanding during the year, after deduction of dividends on the preferred shares.

## 7. Business acquisitions and disposal:

### (a) Acquisitions:

The following business acquisitions were completed in 1999 and were accounted for under the purchase method.

**United States**
The Company acquired World Color Press, Inc. ("WCP") for a purchase price of $1.5 billion. The transaction took place as follows:

On July 12, 1999, the Company, through an indirect wholly owned subsidiary, Printing Acquisition Inc. ("Acquisition Inc.") entered into a merger agreement with WCP. On July 16, 1999, the Company, through Acquisition Inc., commenced a cash tender offer to acquire up to 23.5 million shares of WCP's common shares at a price of $35.69 per share. On August 20, 1999, the Company acquired, pursuant to the cash tender offer, 19.2 million or 50.4% of WCP's outstanding common shares for $684,516,000.

On October 8, 1999, Acquisition Inc. and WCP merged after approval thereof at a special meeting of the shareholders of WCP. The remaining 49.6% of the outstanding common shares of WCP were converted into 1.2685 Subordinate Voting Shares of the Company and $8.18 in cash per WCP share. In addition, each 6% convertible senior subordinate note due 2007 became convertible into the number of the Company's Subordinate Voting Shares and cash that would have been received if such note had been converted prior to October 8, 1999.

The cash portion of the shares purchase totalling $853,435,000 was financed through a drawdown on the $1.25-billion acquisition facility combined with drawdowns on the Company's existing revolving bank credit facility.

The following unaudited pro forma condensed financial information reflects the consolidated results of operations of the Company as if the acquisition of WCP had taken place at the beginning of the respective periods. The pro forma information includes adjustments for interest expense that would have been incurred to finance the acquisition and the amortization of goodwill arising from the transaction. The pro forma results do not reflect synergies and restructuring and other charges and, accordingly, do not account for any potential increase in operating income, any estimated cost savings or adjustments to conform to accounting practices. The pro forma financial information is not necessarily indicative of the results of the operations as they would have been, if the transaction had been effected on the assumed dates.

Pro forma condensed financial information:

| | **1999** | 1998 |
|---|---|---|
| | ***(Unaudited)*** | *(Unaudited)* |
| Revenues | **$ 6,541,422** | $ 6,165,040 |
| Net income [(1)] | **176,722** | 170,216 |
| Earnings per share | **1.13** | 1.08 |
| Average number of equity shares outstanding | **147,675** | 147,675 |

[(1)] Excluding restructuring and other charges related to the acquisition and the integration of WCP (note 3).

The allocation purchase price process was not completed as at December 31, 1999 and the amounts assigned to the assets and liabilities may be adjusted subsequently.

**Europe**
In March 1999, the Company acquired Cayfo S.A., a company located in Spain, for a cash consideration of $43,329,000 and a purchase price balance of $27,024,000.

During the third quarter of 1999, the Company completed the acquisition of Oberndorfer Druckerei in Austria for a cash consideration of $13,068,000 and a purchase price balance amounting to $33,469,000.

## 7. Business acquisitions and disposal: (cont'd)

### (a) Acquisitions: (cont'd)

**Other**

In 1999, the Company completed several business acquisitions complementary to its operations in Canada, the United States and South America, including the payment of contingent considerations totalling $13,418,000.

Net assets acquired at fair value:

| | World Color | Europe | Other | Total 1999 |
|---|---|---|---|---|
| Assets acquired: | | | | |
| Non-cash operating working capital | $ 519,688 | $ 40,719 | $ 2,518 | $ 562,925 |
| Fixed assets | 873,246 | 47,955 | 8,193 | 929,394 |
| Goodwill | 1,819,569 | 96,654 | 6,002 | 1,922,225 |
| Other assets | 54,044 | 2,917 | 5,200 | 62,161 |
| Deferred income taxes | 8,041 | – | 204 | 8,245 |
| Non-controlling interest | 10,119 | – | – | 10,119 |
| Liabilities assumed: | | | | |
| Bank indebtedness | – | 7,113 | 1,338 | 8,451 |
| Non-cash operating working capital deficiency | 477,953 | 47,547 | 2,165 | 527,665 |
| Long-term debt | 1,121,347 | 13,064 | – | 1,134,411 |
| Other liabilities | 83,087 | 2,103 | – | 85,190 |
| Deferred income taxes | – | 1,518 | 150 | 1,668 |
| Convertible debentures | 136,737 | – | – | 136,737 |
| Non-controlling interest | – | 10 | 5,046 | 5,056 |
| Net assets acquired | $ 1,465,583 | $ 116,890 | $ 13,418 | $ 1,595,891 |
| Consideration: | | | | |
| Cash | $ 853,435 | $ 56,397 | $ 13,418 | $ 923,250 |
| Purchase price balance | – | 60,493 | – | 60,493 |
| Equity portion of convertible notes | 20,831 | – | – | 20,831 |
| Subordinate Voting Shares issued | 591,317 | – | – | 591,317 |
| | $ 1,465,583 | $ 116,890 | $ 13,418 | $ 1,595,891 |

The results of operations of these acquired companies are included in the consolidated statements of income since the acquisition date.

### (b) Disposal:

In October 1999, the Company sold the operating assets of its BA Banknote Division for a total cash consideration of $18,031,000. The Company realized a loss amounting to $1,851,000 which is included in other charges.

In 1999, the Company sold its investment in Communications Quebecor inc. for a cash consideration of Cdn $5,064,000 ($3,437,000).

In September 1998, the Company sold the check and credit card businesses and realized a gain amounting to $13,492,000 which was recorded as a reduction of selling, general and administrative expenses.

## 8. Asset securitization:

During 1999, the Company sold a portion of its trade receivables on a revolving basis under the terms of a Canadian securitization agreement dated March 1998 (the "Canadian Program"). The Canadian Program limit is Cdn $125,000,000. As at December 31,1999 the amount outstanding under the Canadian program is Cdn $100,000,000 ($69,290,000) (Cdn $125,000,000 ($80,588,000) at December 31, 1998).

In September 1999, the Company entered into an agreement to sell, on a revolving basis, a portion of its US trade receivables up to a maximum of $206,000,000 (the "US Program"). In December, the existing WCP securitization program of $204,000,000 was combined with the Company's US Program, to a new limit of $408,000,000. At December 31, 1999, the amount outstanding under the US combined program is $400,000,000.

Securitization fees vary based on commercial paper rates in Canada and the United States and, generally, provide a lower effective funding cost than available under the Company's bank credit facilities.

## 9. Inventories:

| | 1999 | 1998 |
|---|---|---|
| Raw material and supplies | **$ 250,088** | $ 144,674 |
| Work in process | **236,140** | 88,345 |
| | **$ 486,228** | $ 233,019 |

## 10. Fixed assets:

| | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| December 31, 1999 | | | |
| Land | **$ 80,062** | **$ –** | **$ 80,062** |
| Buildings | **777,160** | **122,885** | **654,275** |
| Equipment | **3,124,285** | **1,057,431** | **2,066,854** |
| Projects under development | **79,914** | **–** | **79,914** |
| | **$ 4,061,421** | **$ 1,180,316** | **$ 2,881,105** |
| December 31, 1998 | | | |
| Land | $ 67,964 | $ – | $ 67,964 |
| Buildings | 514,252 | 103,736 | 410,516 |
| Equipment | 2,482,429 | 909,909 | 1,572,520 |
| Projects under development | 159,964 | – | 159,964 |
| | $ 3,224,609 | $ 1,013,645 | $ 2,210,964 |

## 10. Fixed assets: (cont'd)

As at December 31, 1999, the cost of fixed assets and the corresponding accumulated depreciation balance included amounts of $315,336,000 (as at December 31, 1998, $434,531,000) and $138,395,000 (as at December 31, 1998, $235,263,000) respectively, for land, buildings and equipment held under capital leases.

## 11. Long-term debt:

| | Maturity | **1999** | 1998 |
|---|---|---|---|
| Revolving bank credit facility $1.0 B (a) | 2003-2005 | **$ 358,002** | $ 662,726 |
| Commercial paper (b) | 2003 | **229,350** | – |
| Acquisition bank credit facilities $1.1 B (c) | 2000-2002 | **925,000** | – |
| Senior debentures 7.25% (d) | 2007 | **150,000** | 150,000 |
| Senior debentures 6.50% (e) | 2027 | **150,000** | 150,000 |
| Senior Subordinated Notes 8.375% (f) | 2008 | **301,606** | – |
| Senior Subordinated Notes 7.75% (g) | 2009 | **289,310** | – |
| Other debts and capital leases (h) | 2000-2009 | **256,903** | 229,281 |
| | | **2,660,171** | 1,192,007 |
| Less current portion | | **77,260** | 51,066 |
| | | **$ 2,582,911** | $ 1,140,941 |

(a) In April 1999, the Company refinanced its existing revolving bank credit facility by a new revolving bank credit facility composed of three tranches. The first tranche of $250,000,000 matures in 2003, and provides liquidity back-up to the Company's $250,000,000 Commercial paper program. The second tranche of $250,000,000 matures in 2004, while the third tranche of $500,000,000 matures in 2005. The credit agreement contains certain restrictions, including the obligation to maintain certain financial ratios.

The revolving bank credit facility bears interest at variable rates based on LIBOR or Bankers' Acceptances rates. At December 31, 1999, the drawings under this facility are denominated in US$ only and bear interest at rates ranging from 6.1% to 7.1%.

(b) In April 1999, the Company initiated a Commercial paper program in Canada with an initial limit of Cdn $250,000,000, which was subsequently increased to $250,000,000 in November 1999. At December 31, 1999, Cdn $331,000,000 ($229,350,000) of notes are outstanding under the program bearing interest at rates ranging from 5.1% to 5.6%. At December 31, 1999, the Commercial paper program was classified as long-term since the Company has the ability and the intent to maintain such debt on a long-term basis and has a bank credit facility available (see (a) above) until 2003 to replace such debt, if necessary.

## 11. Long-term debt: (cont'd)

(c) The Company has negotiated and obtained two additional bank credit facilities for which the total limit was initially $1,250,000,000 to finance the acquisition of WCP. One of these is a revolving bank credit facility of $450,000,000 maturing in August 2002. This facility can also be used for general corporate purposes. The other facility is a term loan of $800,000,000 divided into two tranches. On the first tranche of $650,000,000, a segment of $350,000,000 matures in August 2000 and the remaining balance of $300,000,000 can be extended until August 2001. The second tranche of $150,000,000 was cancelled in December 1999 at the Company's request. These facilities bear interest at variable rates based on LIBOR. At December 31, 1999, the drawings under these facilities bear interest at rates ranging from 7.1% to 7.2%. The credit agreements contain certain restrictions, including the obligation to maintain certain financial ratios.

(d) The debentures mature on January 15, 2007.

(e) The debentures mature on August 1, 2027 and are redeemable at the option of the holder at their par value on August 1, 2004.

(f) The subordinated notes mature on November 15, 2008. The aggregate principal amount of the notes is $300,000,000 and the notes are redeemable at the option of the Company at a decreasing premium between November 2003 and November 2006, and thereafter at par value until their final maturity. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired, based on the Company's borrowing rate for similar financial instruments. The notes contain certain restrictions on Quebecor World (USA) Inc. ("QWU") , including limitations on its ability to incur additional indebtedness.

(g) The subordinated notes mature on February 15, 2009. The aggregate principal amount of the notes is $300,000,000 and the notes are redeemable at the option of the Company at a decreasing premium between February 2004 and February 2007, and thereafter at par value until their final maturity. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired based on the Company's borrowing rate for similar financial instruments. The notes contain certain restrictions on QWU including limitations on its ability to incur additional indebtedness.

(h) Other debts and capital leases are partially secured by assets. A portion of $184,125,000 is denominated in euros and a portion of $9,296,000 in Swedish krona. At December 31, 1999, these debts and capital leases bear interest at rates ranging from nil to 19.7%.

Principal repayments on long-term debt are as follows:

| | |
|---|---|
| 2000 | $ 77,260 |
| 2001 | 133,255 |
| 2002 | 508,874 |
| 2003 | 265,040 |
| 2004 | 262,130 |
| 2005 and thereafter | 1,413,612 |

## 12. Other liabilities:

| | 1999 | 1998 |
|---|---|---|
| Pension liability | $ 81,046 | $ 67,866 |
| Reserve for unfavorable leases acquired | 57,563 | 7,711 |
| Reserve for environmental matters | 18,759 | 21,737 |
| Workers' compensation accrual | 17,184 | 11,617 |
| | 174,552 | 108,931 |
| Other | 50,594 | 18,928 |
| | $ 225,146 | $ 127,859 |

## 13. Convertible debentures:

| | Maturity | 1999 | 1998 |
|---|---|---|---|
| Convertible Senior Subordinated Notes 6.00% (a) | 2007 | $ 128,806 | $ – |
| French Convertible Debentures (b) | 2001 | 50,946 | 58,193 |
| | | $ 179,752 | $ 58,193 |

(a) The convertible senior subordinated notes mature on October 1, 2007. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired based on the Company's borrowing rate for similar financial instruments. The portion of the notes which can be converted into equity shares of the Company was valued at the date of acquisition and classified as other paid-in capital. Since the acquisition of WCP by the Company, each $1,000 tranche is convertible into $197.25 in cash and 30.5884 Subordinate Voting Shares of the Company which corresponds to a price of $26.24 per share. The notes are convertible at the option of the holder at any time, and redeemable at the option of the Company at a decreasing premium from October 2000 to the final maturity. Certain conditions apply to a redemption between October 2000 and October 2002. Pursuant to the terms of the convertible notes, the Company made a par tender offer for 100% of the face value of $151,800,000 of the notes during the course of 1999, and subsequently repurchased $7,621,000 thereof. The aggregate principal amount of the notes, as at December 31, 1999, is $144,179,000. The number of equity shares to be issued upon conversion of the convertible notes would amount to 4,410,200.

(b) A French subsidiary of the Company issued at the time of its acquisition in 1995 debentures convertible into shares of this subsidiary. The total amount of convertible debentures outstanding as at December 31, 1999 is FF 344,033,000 ($52,671,000) (FF 344,033,000 ($61,135,000) as at December 31, 1998). A portion of this amount has been discounted at an imputed rate of 4.5% in order to reflect the fair value of the debentures at the time the subsidiary was acquired by the Company. The Company has the right to redeem these debentures. In addition, a portion of FF 172,016,000 ($26,336,000) cannot be converted without prior approval by the Company. The convertible debentures bear interest at rates varying between 1.0% and 5.0% and mature on December 31, 2001. The Company's interest in this subsidiary would decrease from 100% to 78.5% if the debentures were converted and the Company did not exercise its redemption rights.

## 14. Capital stock:

### (a) Authorized capital stock:

Equity shares:

Multiple Voting Shares, authorized in an unlimited number, without par value, carrying ten votes per share, convertible at any time into Subordinate Voting Shares on a one-for-one basis.

Subordinate Voting Shares, authorized in an unlimited number, without par value, carrying one vote per share.

Preferred shares, authorized in an unlimited number, without par value, issuable in series; the number of preferred shares in each series and the related characteristics, rights and privileges are to be determined by the Board of Directors prior to each issue.

The First Preferred Shares Series 2 are entitled to a fixed cumulative preferential cash dividend of Cdn $1.25 per share per annum, payable quarterly from March 1, 1998 to November 30, 2002, if declared. Thereafter, the annual dividend will be a floating adjustable cumulative preferential cash dividend based on prime rate and payable on a monthly basis, if declared.

These preferred shares are redeemable in whole but not in part, at the Company's option, on December 1, 2002. Thereafter, these preferred shares may be converted into Series 3 cumulative redeemable First Preferred Shares under certain conditions.

The Series 3 cumulative redeemable First Preferred Shares would be entitled to a cumulative fixed dividend set by the Company for a five-year period determined before the first initial quarterly dividend which would begin on December 1, 2002. These shares also would have redemption and conversion characteristics similar to the First Preferred Shares Series 2.

### (b) Issued and outstanding Subordinate Voting Shares:

In 1999, the Company issued 6,500,000 Subordinate Voting Shares for a cash consideration of Cdn $234,000,000 ($159,143,400) before share issue expenses of Cdn $9,860,000 ($6,705,800) recorded as a reduction of retained earnings.

Pursuant to the acquisition of WCP (note 7), the Company issued 25,045,200 Subordinate Voting Shares for a value determined at $23.61 per share based on an average market price before and after the date of the transaction. Share issue expenses of $9,424,000 were recorded as a reduction of retained earnings.

## 15. Stock plans:

### (a) Employee share plan:

Effective September 1, 1998, an Employee Share Investment Plan (ESIP) was implemented giving eligible employees in Canada the opportunity to subscribe for up to 4% of their gross salaries to purchase shares of the Company's capital stock on the open market and to have the Company invest, on the employee's behalf, a further 20% of the amount invested by the employee. Participation at December 31, 1999 was 1,822 employees (1,462 at December 31, 1998). The total number of ESIP shares purchased on behalf of employees, including the Company's contribution, was 87,270 in 1999 and 18,220 in 1998.

### (b) Stock option plans:

Under stock option plans, a total of 4,595,273 Subordinate Voting Shares has been reserved for senior executives and other employees. As of December 31, 1999, the number of Subordinate Voting Shares related to the stock options outstanding is 4,127,254. The subscription price is equal to the share market price at the date the options were granted, except for 30,000 stock options granted to a senior executive in November 1991 that have a subscription price of Cdn $0.67 per share. The options may be exercised during a period not exceeding ten years from the date they have been granted.

The number of stock options outstanding fluctuated as follows:

| | **1999** | 1998 |
|---|---|---|
| Balance, beginning of year | **2,577,303** | 1,377,195 |
| Issued | **1,812,669** | 1,530,151 |
| Exercised | **(252,796)** | (194,799) |
| Cancelled | **(9,922)** | (135,244) |
| | **4,127,254** | 2,577,303 |

The following table summarizes information about stock options outstanding at December 31, 1999:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices | Number outstanding (thousands) | Weighted-average remaining contractual life (in years) | Weighted-average exercise price | Number exercisable (thousands) | Weighted-average exercise price |
| $0.46 | 30 | 1.9 | $ 0.46 | 30 | $ 0.46 |
| $10 - $13 | 411 | 4.6 | 11.21 | 363 | 11.26 |
| $13 - $16 | 417 | 7.6 | 15.46 | 53 | 13.21 |
| $16 - $19 | 819 | 7.8 | 18.25 | 115 | 17.37 |
| $19 - $22 | 424 | 8.9 | 21.33 | 5 | 19.28 |
| $22 - $25 | 2,026 | 9.6 | 23.07 | – | – |
| | 4,127 | 8.4 | $ 19.82 | 566 | $ 12.21 |

## 16. Translation adjustment:

The charge in the translation adjustment included in shareholders' equity is the result of the fluctuation of the exchange rates on translation of net assets of self-sustaining foreign operations.

## 17. Financial instruments and concentrations of credit risk:

### (a) Fair value of financial instruments:

The carrying values of cash and cash equivalents, trade receivables, bank indebtedness, and trade payables and accrued liabilities approximate their fair values because of the short-term nature of these items.

The following table summarizes the book value and fair value at December 31, 1999 and 1998 of those financial instruments having a fair value different from their book value as at December 31. The fair values of the financial liabilities are estimated based on discounted cash flows using year-end market yields. The fair values of the derivative financial instruments are estimated using year-end market rates, and reflect the amount that the Company would receive or pay if the instruments were closed out at these dates.

| | **1999** | | 1998 | |
|---|---|---|---|---|
| | **Book Value** | **Fair Value** | Book Value | Fair Value |
| Financial liabilities | | | | |
| Long-term debt [1] | **$ (2,660,171)** | **$ (2,632,833)** | $ (1,192,007) | $ (1,192,636) |
| Convertible debentures | **(179,752)** | **(178,579)** | (58,193) | (67,357) |
| Derivative financial instruments | | | | |
| Interest rate swap agreements | **–** | **(755)** | – | (2,957) |
| Foreign exchange forward contracts | **–** | **8,739** | – | (1,515) |
| Cross currency interest rate swaps | **–** | **1,621** | – | – |

[1] Including current portion

## 17. Financial instruments and concentrations of credit risk: (cont'd)

### (b) Foreign exchange risk management:

The Company enters into foreign exchange forward contracts and cross-currency interest rate swaps to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales and to manage its foreign exchange exposure on certain liabilities. The amounts of outstanding contracts at year-end, presented by currency, are included in the table below:

These amounts represent the notional value on which each contract is based.

| Currencies (sold / bought) | Notional principal amount [1] 1999 | 1998 |
|---|---|---|
| $ / Cdn $ | | |
| Less than 1 year | **$ 108,135** | $ 95,307 |
| Between 1 and 3 years | **78,245** | 99,278 |
| Euro / $ | | |
| Less than 1 year | **117,262** | 93,598 |
| Between 1 and 3 years | **15,366** | 6,155 |
| SEK / $ | | |
| Less than 1 year | **35,397** | – |
| Between 1 and 3 years | **18,371** | – |
| GBP / Euro | | |
| Less than 1 year | **13,865** | 12,229 |
| Other | | |
| Less than 1 year | **29,232** | 16,198 |
| Between 1 and 3 years | **–** | 16,131 |
| | **$ 415,873** | $ 338,896 |

[1] Transactions in foreign currencies translated into dollars using the closing exchange rate as at December 31, 1999 and 1998.

### (c) Interest rate risk management:

The Company has entered into interest rate swaps to manage its interest rate exposure on an amount of $45,930,000 in euros. These agreements will expire between December 2000 and March 2003.

The Company also entered into cross-currency interest rate swaps to manage both its foreign exchange and interest rate exposure on an amount of $26,056,000 in euros. The currency impacts are reflected in the table in (b) above. These agreements will expire between December 2000 and November 2001.

## 17. Financial instruments and concentrations of credit risk: (cont'd)

### (d) Credit risk:

The Company is exposed to credit losses resulting from default by counterparties when using financial instruments.

When the Company enters in foreign exchange contracts and fixed interest rate agreements, the counterparties are international and Canadian banks having a minimum credit rating of A- by Standard & Poor's or of A3 by Moody's. The Company does not foresee any failure by the counterparties in meeting their obligations.

The Company, in the normal course of business, continuously monitors the financial condition of its customers and reviews the credit history of each new customer. At December 31, 1999, no customer balance represents a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and other information on the state of the economy.

The Company believes that the product and geographic diversity of its customer base is instrumental in reducing its credit risk, as well as the impact on the Company of fluctuations in local market or product-line demand. The Company has long-term contracts with most of its largest customers. These contracts usually include price adjustment clauses based on the cost of paper, ink and labor. The Company does not believe that it is exposed to an unusual level of customer credit risk.

## 18. Commitments and contingencies:

### (a) Leases:

The Company rents premises and equipment under operating leases which expire at various dates up to 2010 and for which minimum lease payments total $586,731,000.

Annual minimum payments under these leases for each of the next five years are as follows:

| | |
|---|---|
| 2000 | $ 102,386 |
| 2001 | 90,277 |
| 2002 | 74,528 |
| 2003 | 53,609 |
| 2004 | 44,717 |

### (b) Fixed assets:

As at December 31, 1999, the Company had commitments to purchase fixed assets for a total value of approximately $29,150,000.

## 18. Commitments and contingencies: (cont'd)

### (c) Environment:

The Company is subject to various laws, regulations and government policies principally in North America and Europe, relating to health and safety, to the generation, storage, transportation, disposal and environmental emissions of various substances, and to environment protection in general. The Company believes it is in compliance with such laws, regulations and government policies, in all material respects. Furthermore, the Company does not anticipate that maintaining compliance with such environmental statutes will have a material adverse effect upon the Company's competitive or consolidated financial position.

## 19. Related party transactions:

The Company entered into the following transactions, at prices and conditions prevailing on the market, with related parties and were accounted for at the exchange value:

| | **1999** | 1998 | 1997 |
|---|---|---|---|
| Revenues | **$ 17,293** | $ 15,006 | $ 14,289 |
| Purchases | **24,423** | 26,037 | 24,321 |
| Interest expense (income) | **(138)** | 28 | 406 |
| Fees paid to the parent company, Quebecor Inc. | **8,499** | 1,807 | 1,810 |

Fees paid to the parent company include an amount of $6,500,000 in connection with the acquisition of WCP and the related issuance of equity as well as management fees paid in the normal course of business.

As at December 31, 1999, the Company had amounts payable from affiliated companies amounting to $273,000 ($2,376,000 amounts receivable as at December 31, 1998).

## 20. Pension plans:

The Company maintains defined benefit pension plans for its employees. The Company's policy is to maintain its contribution at a level sufficient to cover benefits. An actuarial valuation of the Company's various pension plans was performed during the last three years. The net pension expense is as follows:

| | **1999** | 1998 | 1997 |
|---|---|---|---|
| Net pension expense | **$ 20,558** | $ 16,822 | $ 12,627 |

## 20. Pension plans: (cont'd)

The financial position of the pension plans is summarized as follows:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Fair market value of pension fund assets | **$ 581,707** | $ 353,047 | $ 340,020 |
| Actuarial present value of accrued pension benefits | **577,323** | 385,370 | 366,627 |
| Surplus (deficit) | **$ 4,384** | $ (32,323) | $ (26,607) |

Interest on the actuarial present value of accrued pension benefits was computed using rates varying from 5.5% to 8.5%. The average compensation increase was established at rates varying from 3.0% to 5.5%. The assumed long-term rate of return of pension funds assets was estimated at rates varying from 7.25% to 10.25%.

At December 31, 1999, the fair market value of pension fund assets and the actuarial present value of accrued pension benefits related to pension funds of WCP amount to $190,458,000 and $186,150,000 respectively.

## 21. Significant differences between generally accepted accounting principles ("GAAP") in Canada and the United States:

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada, which differ in some respects from those applicable in the United States. The following are the significant differences in accounting principles as they pertain to the consolidated statements.

### (a) Reconciliation of net income and earnings per share:

The application of GAAP in the United States would have the following effects on net income as reported:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| **Net income, as reported in the consolidated statements of income per GAAP in Canada** | **$ 80,056** | $ 159,560 | $ 130,440 |
| Adjustments, net of applicable income taxes | | | |
| Post-employment benefit costs other than pension costs (i) | **(1,020)** | (618) | (418) |
| Foreign currency translation (ii) | **–** | – | 455 |
| Business process reengineering costs (iii) | **1,044** | 1,015 | (2,059) |
| Accounting for income taxes (iv) | **(1,571)** | 708 | 962 |
| | **(1,547)** | 1,105 | (1,060) |
| **Net income, as adjusted per GAAP in the United States** | **$ 78,509** | $ 160,665 | $ 129,380 |

## 21. Significant differences between generally accepted accounting principles ("GAAP") in Canada and the United States: (cont'd)

### (a) Reconciliation of net income and earnings per share: (cont'd)

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| **Per share data** | | | |
| **Net income, as reported per GAAP in Canada** | **$ 0.56** | $ 1.29 | $ 1.12 |
| Effect of adjustments, net of applicable income taxes | **(0.01)** | 0.01 | (0.01) |
| **Net income, as adjusted per GAAP in the United States** | **$ 0.55** | $ 1.30 | $ 1.11 |

**(i) Post-employment benefit costs other than pension costs**

Post-employment benefit costs other than pension costs have been recognized as incurred by the retirees and paid by the Company as allowed by GAAP in Canada. Under GAAP in the United States, the cost of these benefits would have been recognized as the services were rendered and, consequently, would have been allocated throughout the years during which these services were rendered by the employees concerned.

**(ii) Foreign currency translation**

Under GAAP in Canada, unrealized exchange losses arising from the translation of long-term debt denominated in foreign currencies are deferred. Amounts so deferred are amortized over the remaining life of the related debt. Under GAAP in the United States, these losses would have been charged to income and, consequently, no amount would have been deferred in the consolidated balance sheets under the item "Other assets".

## 21. Significant differences between generally accepted accounting principles ("GAAP") in Canada and the United States: (cont'd)

### (a) Reconciliation of net income and earnings per share: (cont'd)

#### (iii) Business process reengineering costs

Under GAAP in Canada, certain costs incurred in connection with a consulting contract or an internal project that combines business process reengineering and information technology transformation have been deferred in the consolidated balance sheets under the items "Other assets" or "Fixed assets" and amortized over periods varying from three to five years. Under GAAP in the United States effective in 1997, these costs should be expensed as incurred. The effect of the application of GAAP in the United States in 1997 includes the write-off of the unamortized balance from previous years.

#### (iv) Income taxes

Under GAAP in Canada, deferred income taxes in the consolidated balance sheets are not adjusted to reflect subsequent changes in tax rates. In addition, tax benefits arising from losses carried forward not recognized at the time of business acquisitions, are accounted for as income in the year the benefit is realized. Under GAAP in the United States, deferred income taxes in the consolidated balance sheets must be adjusted to reflect subsequent changes in tax rates and the tax benefits related to business acquisitions from previous years are recorded in reduction of goodwill when they are realized. In addition, some differences that are considered of a permanent nature under GAAP in Canada are rather considered as temporary differences under GAAP in the United States.

#### (v) Presentation of restructuring and other charges

United States GAAP requires that restructuring and other charges be included in the determination of operating income and does not permit the disclosure of a subtotal of the amount of operating income before these restructuring and other charges. Canadian GAAP permits the disclosure of a subtotal of the amount of operating income before restructuring and other charges referred to above.

#### (vi) Presentation of goodwill amortization

Under GAAP in Canada, goodwill amortization is presented, net of related income taxes, and is excluded from the calculation of operating income and presented before net income. Under GAAP in the United States, goodwill amortization is included in the computation of operating income and is presented as an operating expense.

#### (vii) Equity portion of convertible notes

Under GAAP in Canada, the equity portion of the convertible notes is recorded under shareholders' equity as other paid-in capital. Under GAAP in the United States, no such allocation is required.

## 21. Significant differences between generally accepted accounting principles ("GAAP") in Canada and the United States: (cont'd)

**(b) Effect on consolidated balance sheets:**

The application of GAAP in the United States would have the following effects on the consolidated balance sheets, as reported:

| | **1999** | | 1998 | |
|---|---|---|---|---|
| | **Canada** | **United States** | Canada | United States |
| Current assets (iv) | **$ 1,260,977** | **$ 1,297,362** | $ 954,230 | $ 963,652 |
| Fixed assets (iv) | **2,881,105** | **2,895,307** | 2,210,964 | 2,221,964 |
| Goodwill (i) (iv) | **2,460,418** | **2,526,707** | 595,724 | 639,467 |
| Other assets (ii) (iii) | **153,752** | **153,752** | 81,198 | 79,525 |
| Current liabilities (i) (iv) | **1,221,288** | **1,224,828** | 710,124 | 715,320 |
| Other liabilities (i) (iv) | **225,146** | **290,203** | 127,859 | 155,657 |
| Deferred income taxes (i) (ii) (iii) (iv) | **204,269** | **255,000** | 223,085 | 254,613 |
| Convertible debentures (vii) | **179,752** | **200,583** | 58,193 | 58,193 |
| Other paid-in capital (vii) | **20,831** | – | – | – |
| Retained earnings (i) (ii) (iii) (iv) | **653,751** | **650,155** | 629,596 | 627,547 |
| Translation adjustment (i) (ii) | **(96,281)** | **(95,137)** | (51,967) | (51,948) |

**(c) Comprehensive income:**

Moreover, the application of GAAP in the United States requires the disclosure of comprehensive income in a separate financial statement, which includes the net income as well as revenues, charges, gains and losses recorded directly to equity.

| | **1999** | 1998 | 1997 |
|---|---|---|---|
| Net income, as adjusted per GAAP in the United States | **$ 78,509** | $ 160,665 | $ 129,380 |
| Currency translation adjustment | **(43,189)** | 4,484 | (33,225) |
| Comprehensive income as per GAAP in the United States | **$ 35,320** | $ 165,149 | $ 96,155 |

## 22. Segment disclosure:

The Company operates in the printing industry. Its business units are located in four main segments: the United States, Canada, Europe and South America.

These segments are managed separately since they all require specific market strategies. The Company assesses the performance of each segment based on operating income.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. Intersegment sales are made at fair market values, which approximate those prevailing on the markets serviced. Management of financial expenses and income tax expense is centralized and, consequently, these expenses are not allocated among operating groups.

| | United States (1) | Canada (2) | Europe (3) | South America (4) | Other | Inter-segment | Total |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| **1999** | **$ 2,938,396** | **$ 972,420** | **$ 944,914** | **$ 95,804** | **$ –** | **$ 1,003** | **$ 4,952,537** |
| 1998 | 2,045,622 | 922,979 | 755,360 | 81,266 | 4,393 | (1,465) | 3,808,155 |
| 1997 | 1,927,878 | 902,353 | 613,509 | 33,521 | 6,354 | (416) | 3,483,199 |
| **Amortization of fixed assets and deferred charges** | | | | | | | |
| **1999** | **179,492** | **46,086** | **53,036** | **5,887** | **1,491** | **–** | **285,992** |
| 1998 | 124,580 | 45,270 | 48,856 | 4,305 | 778 | – | 223,789 |
| 1997 | 113,804 | 43,820 | 40,649 | 1,762 | 769 | – | 200,804 |
| **Operating income before restructuring and other charges** | | | | | | | |
| **1999** | **289,490** | **96,020** | **68,137** | **7,580** | **12,018** | **–** | **473,245** |
| 1998 | 145,305 | 87,999 | 65,761 | 9,662 | 8,772 | – | 317,499 |
| 1997 | 140,337 | 73,940 | 47,299 | 4,696 | 12,099 | – | 278,371 |
| **Goodwill amortization** | | | | | | | |
| **1999** | **22,632** | **922** | **6,262** | **334** | **–** | **–** | **30,150** |
| 1998 | 7,576 | 1,230 | 6,388 | 254 | 165 | – | 15,613 |
| 1997 | 6,351 | 1,305 | 1,976 | 103 | 190 | – | 9,925 |
| **Additions to fixed assets** | | | | | | | |
| **1999** | **97,954** | **45,442** | **46,327** | **4,405** | **580** | **–** | **194,708** |
| 1998 | 246,634 | 30,217 | 21,457 | 6,826 | 6,989 | – | 312,123 |
| 1997 | 213,305 | 47,723 | 58,987 | 4,891 | 700 | – | 325,606 |
| **Assets** | | | | | | | |
| **1999** | **4,923,561** | **553,562** | **1,104,598** | **134,930** | **39,601** | **–** | **6,756,252** |
| 1998 | 2,122,685 | 536,966 | 1,048,162 | 107,357 | 26,946 | – | 3,842,116 |

(1) The American segment includes a business unit in Germany.

(2) The Canadian segment includes three business units in the United States and one in India.

(3) The European segment includes business units located in Austria, Finland, France, Spain, Sweden and the United Kingdom.

(4) The South American segment includes business units located in Argentina, Chile, Colombia, Mexico and Peru.

## 22. Segment disclosure: (cont'd)

The Company carries out international commercial printing operations, and offers its customers a broad range of printed products and related communications services, such as magazines, retail inserts, catalogs, books, specialty printing and direct mail, directories, digital and other value-added services.

Revenues per product are as follows:

| | 1999 | | 1998 | | 1997 | |
|---|---|---|---|---|---|---|
| Magazines | **$ 1,463,937** | **29.6 %** | $ 1,108,274 | 29.1% | $ 991,382 | 28.5 % |
| Retail inserts | **1,041,478** | **21.0** | 793,356 | 20.8 | 684,140 | 19.6 |
| Catalogs | **770,522** | **15.6** | 589,356 | 15.5 | 500,304 | 14.4 |
| Books | **644,461** | **13.0** | 503,221 | 13.2 | 508,749 | 14.6 |
| Specialty printing and direct mail | **530,709** | **10.7** | 380,226 | 10.0 | 369,930 | 10.6 |
| Directories | **234,392** | **4.7** | 164,234 | 4.3 | 156,444 | 4.5 |
| Digital and other value-added services | **267,038** | **5.4** | 269,488 | 7.1 | 272,250 | 7.8 |
| | **$ 4,952,537** | **100.0 %** | $ 3,808,155 | 100.0% | $ 3,483,199 | 100.0 % |

## 23. Uncertainty due to the Year 2000 Issue:

Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

## Selected Financial Data

Years ended December 31
(In thousands of US dollars, except per share data)

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| **Operations** | | | | | |
| Revenues | **$ 4,952,537** | $ 3,808,155 | $ 3,483,199 | $ 3,110,292 | $ 3,003,998 |
| Operating income before amortization and restructuring and other charges | **759,237** | 541,288 | 479,175 | 454,667 | 421,604 |
| Operating income before restructuring and other charges | **473,245** | 317,499 | 278,371 | 269,078 | 260,432 |
| Net income | **80,056** | 159,560 | 130,440 | 126,295 | 105,460 |
| Cash provided from operating activities | **710,142** | 413,915 | 317,250 | 381,513 | 175,909 |
| **Per share data** | | | | | |
| Earnings | **$ 0.56** | $ 1.29 | $ 1.12 | $ 1.09 | $ 1.05 |
| Cash provided from operating activities | **5.58** | 3.49 | 2.73 | 3.30 | 1.75 |
| Average number of equity shares outstanding (in thousands) | **125,393** | 115,703 | 115,567 | 115,519 | 100,648 |
| **Financial Position** | | | | | |
| Working capital | **$ 39,689** | $ 244,106 | $ 219,309 | $ 206,824 | $ 273,563 |
| Long-term debt | **2,582,911** | 1,140,941 | 913,269 | 767,294 | 805,676 |
| Shareholders' equity | **2,320,884** | 1,564,504 | 1,436,340 | 1,155,066 | 1,060,114 |
| Total assets | **6,756,252** | 3,842,116 | 3,475,538 | 2,913,410 | 2,796,536 |

### Selected Quarterly Financial Data

(In thousands of US dollars, except per share data)

| | **1999** | | | |
|---|---|---|---|---|
| (Unaudited) | **March** | **June** | **September** | **December** |
| Revenues | **$ 910,515** | **$ 944,323** | **$ 1,257,143** | **$ 1,840,556** |
| Operating income before amortization and restructuring and other charges | **114,042** | **145,338** | **199,606** | **300,251** |
| Operating income before restructuring and other charges | **56,718** | **85,936** | **127,022** | **203,569** |
| Net income (loss) | **24,223** | **45,890** | **55,650** | **(45,707)** |
| Earnings (loss) per share | **$ 0.19** | **$ 0.37** | **$ 0.44** | **$ (0.44)** |

| | 1998 | | | |
|---|---|---|---|---|
| (Unaudited) | March | June | September | December |
| Revenues | $ 881,879 | $ 890,171 | $ 957,174 | $ 1,078,931 |
| Operating income before amortization and restructuring and other charges | 103,237 | 129,237 | 147,240 | 161,574 |
| Operating income before restructuring and other charges | 50,224 | 74,234 | 90,531 | 102,510 |
| Net income | 20,689 | 38,948 | 46,485 | 53,438 |
| Earnings per share | $ 0.16 | $ 0.31 | $ 0.38 | $ 0.44 |

# Directors & Officers

## Board of Directors

**Jean Neveu** [1,3]
Chairman of the Board,
Quebecor World
and Quebecor Inc.

**Pierre Karl Péladeau** [1,3]
Vice Chairman,
Quebecor World
President and Chief Executive
Officer, Quebecor Inc.

**Charles G. Cavell** [1]
President and Chief Executive
Officer, Quebecor World

**Robert Coallier** [2]
Vice President and
Chief Financial Officer,
C-MAC Industries Inc

**Marcello A. De Giorgis** [4]
Corporate Director

**Raymond Lemay** [1,2,3,4]
Corporate Director

**The Right Honourable**
**Brian Mulroney, P.C., C.C., LL.D.**
Senior Partner, Ogilvy Renault

**Erik Péladeau** [1,3]
Chairman of the Board,
Quebecor Communications Inc.

**Alain Rhéaume** [1,3]
Executive Vice President
and Chief Financial Officer
and Treasurer,
Microcell Telecommunications Inc.

**Eileen A. Mercier** [4]
President, Finvoy Management Inc.,
Vice-Chairman of the Board,
Workplace, Safety and
Insurance Board (Ontario)

**Robert Normand** [2]
Corporate Director

**1**-Executive Committee
**2**-Audit Committee
**3**-Compensation Committee
**4**-Pension Plan Committee

## Corporate Officers

**Jean Neveu**
Chairman of the Board

**Pierre Karl Péladeau**
Vice Chairman of the Board

**Charles G. Cavell**
President and Chief Executive Officer

**Christian M. Paupe**
Executive Vice President,
Chief Financial Officer and
Chief Administrative Officer

**Marc L. Reisch**
President and Chief Executive Officer
Quebecor World North America

**Christopher H. Rudge**
President, Quebecor World Canada,
President, Quebecor World
International

**Guy Trahan**
President, Quebecor World
Latin America

**Gerald Brofft**
Vice President,
Global Purchasing
(Switzerland)

**Mark D'Souza**
Vice President and Treasurer
(Switzerland)

**Carl Gauvreau**
Vice President and
Corporate Controller

**Raynald Lecavalier**
Director of Legal Affairs and
Assistant Secretary

**Sylvain Levert**
Vice President, Corporate
Services and Logistics
(Switzerland)

**Gaétan Lussier**
Director, Internal Audit

**Pierre R. Martel**
Director, Taxation and Real Estate

**Gilbert Martinet**
Vice President, Manufacturing,
Technology and Environment

**Serge Reynaud**
Vice President, Human Resources

**Jeremy Roberts**
Assistant Treasurer
(Switzerland)

**Louis Saint-Arnaud**
Vice President, Legal Affairs and
Secretary

**Claudine Tremblay**
Assistant Secretary

**Sean M. Twomey**
Vice President, Business
Development



Top: **Gerald Brofft,**
Vice President,
Global Purchasing
**Sylvain Levert,**
Vice President,
Corporate Services
and Logistics
Bottom: **Mark D'Souza,**
Vice President and
Treasurer

From left to right:
**Louis Saint-Arnaud,**
Vice President,
Legal Affairs and Secretary
**Sean M. Twomey,**
Vice President, Business
Development
**Pierre R. Martel,**
Director, Taxation
and Real Estate
**Christian M. Paupe,**
Executive Vice President
**Carl Gauvreau,**
Vice President and
Corporate Controller
**Serge Reynaud,**
Vice President,
Human Resources
**Gilbert Martinet,**
Vice President, Manufacturing,
Technology and Environment

# Senior Management

## Office of the Chief Executive Officer

**Pierre Karl Péladeau**
Vice Chairman of the Board

**Charles G. Cavell**
President and Chief Executive Officer

**Christian M. Paupe**
Executive Vice President, Chief Financial Officer and Chief Administrative Officer

**Marc L. Reisch**
President and Chief Executive Officer, Quebecor World North America

**Christopher H. Rudge**
President, Quebecor World International

## Quebecor World North America

### United States

**Marc L. Reisch**
President and Chief Executive Officer, Quebecor World North America

Chairman, President and Chief Executive Officer, Quebecor World (USA) Inc.

**Jerry W. Allee**
President, Book Services

**David S. Boles**
President, Retail & Sunday Magazine

**Ronald F. Covelli**
President, Direct

**Charles L. Miotke**
President, Targeted Publications

**Tom W. Oliva**
President, Gravure Magazine and Catalog

**John Paloian**
President, Magazine and Catalog

**Daniel J. Scapin**
President, Logistics Services

**Jack A. Schuh**
President, Digital Services

**Brian W. Sullivan**
President, Commercial

### Canada

**Christopher H. Rudge**
President, Quebecor World Canada

**Aivars Beikmanis**
President, Specialty Group

**John A. Bertuccini**
President, East Group

**David A. Bragen**
President, Directory Group

**Hans J. Nielsen**
President, Magazines, Catalogs and Retail Group

## Quebecor World International

**Christopher H. Rudge**
President, Quebecor World International

**Guy Trahan**
President, Quebecor World Latin America

**Hans Carlsson**
General Manager, Quebecor Printing Norden

**John Dickin**
General Manager, Quebecor Printing (U.K.)

**Ramesh Gupta**
Managing Director, Tej Quebecor Printing (India)

**Antonio Fernandez Jurado**
General Manager, Altair Quebecor (Spain)

**Eveline Kettl**
General Manager, Oberndorfer Druckerei (Austria)

**Carlos Herman Aguirre Vargas**
Regional Vice President, Quebecor World Latin America

## Shareholder Information

Trading of Subordinate Voting Shares

**MONTREAL EXCHANGE**

| | 1999 | | 1998 | |
|---|---|---|---|---|
| (In Cdn dollars) | **High** | **Low** | High | Low |
| First Quarter | **35.40** | **31.35** | 26.40 | 21.75 |
| Second Quarter | **36.70** | **31.75** | 26.25 | 24.35 |
| Third Quarter | **36.70** | **31.65** | 30.00 | 25.15 |
| Fourth Quarter | **35.65** | **32.15** | 34.00 | 26.10 |
| Year | **36.70** | **31.35** | 34.00 | 21.75 |

**TORONTO STOCK EXCHANGE**

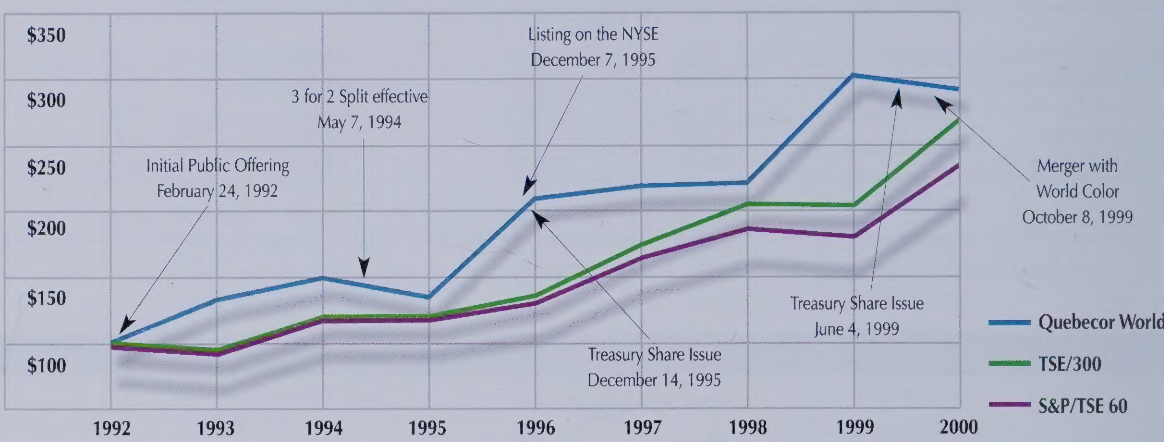
| | 1999 | | 1998 | |
|---|---|---|---|---|
| (In Cdn dollars) | **High** | **Low** | High | Low |
| First Quarter | **35.50** | **31.40** | 26.45 | 22.00 |
| Second Quarter | **37.00** | **31.70** | 26.35 | 24.35 |
| Third Quarter | **36.55** | **31.65** | 30.00 | 25.10 |
| Fourth Quarter | **35.30** | **31.25** | 34.00 | 26.05 |
| Year | **37.00** | **31.25** | 34.00 | 22.00 |

**NEW YORK STOCK EXCHANGE**

| | 1999 | | 1998 | |
|---|---|---|---|---|
| (In US dollars) | **High** | **Low** | High | Low |
| First Quarter | **23.13** | **20.56** | 18.69 | 15.38 |
| Second Quarter | **25.06** | **21.63** | 18.06 | 16.88 |
| Third Quarter | **24.44** | **21.63** | 19.44 | 17.25 |
| Fourth Quarter | **23.88** | **21.19** | 21.88 | 17.13 |
| Year | **25.06** | **20.56** | 21.88 | 15.38 |

# Shareholder Information

VALUE OF $100 INVESTED IN QUEBECOR WORLD, S&P/TSE 60 AND TSE 300




**Stock Listing**
Quebecor Printing Inc. Subordinate Voting Shares are listed on the Toronto Stock Exchange under the symbol IQI, and on the New York Stock Exchange under the symbol PRW.

At the Annual Meeting of Quebecor Printing Inc. on April 25, 2000, shareholders will be asked to approve a change of legal name to Quebecor World Inc. Upon shareholder approval of the new name, the Company's shares will trade under the new symbol IQW on both the Toronto Stock Exchange and the New York Stock Exchange.

**Annual Meeting**
The Annual Meeting of Shareholders will be held at 10:00 a.m. on April 25, 2000 at:
Hotel Marriot Château Champlain
1 Place du Canada
Montreal, Quebec

**Annual Information Form**
The Annual Information Form may be obtained by writing to:
Corporate Secretary
Quebecor Printing Inc.
612 St. Jacques Street
Montreal, Quebec
H3C 4M8

**Registrar**
Desjardins Trust Inc.
1 Complexe Desjardins
P.O. Box 34
Desjardins Branch
Montreal, Quebec
H5B 1E4

**Transfer Agent**
Desjardins Trust Inc.
Montreal

**Co-Transfer Agents**
Montreal Trust Company
Toronto, Winnipeg, Regina,
Calgary, Vancouver

Chase Mellon
Shareholder Services LL.C.
New York, USA

**Auditors**
KPMG LLP

Vous pouvez vous procurer une version française de ce rapport annuel en vous adressant à :
Imprimeries Quebecor inc.
612, rue Saint-Jacques
Montréal (Québec)
H3C 4M8

# Main Business Locations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**Quebecor World Europe**

114, avenue Charles de Gaulle
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**Quebecor World Latin America**

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For a more complete list of addresses, please refer to our Website at:
www.quebecorworld.com


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**Photography:** Daniel Wiener, Pierre Crié, Chantal Lamarre, Juan Carlos Ledesma
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**Financial Section:** Rolland Motif

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